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THE JERUSALEM POST

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**EIGHT PAGES
FROM SUNDAY'S**
The New York Times
**WEEKLY REVIEW
INSIDE TODAY**

54 killed as ethnic riots rock Karachi

KARACHI (Reuters). — At least 54 people were killed yesterday and 510 injured in the worst outbreak of ethnic violence in Karachi's recent history, doctors and witnesses said. Rampaging crowds reportedly dragged women and children from their homes and beat them, tossed teenagers into blazing houses and stabbed young boys, as inter-communal tension exploded into violence.

Sattar Edhi, who heads a leading Pakistani charity organization, said he had not seen such outbreaks in 40 years of social work in Karachi.

An emergency was declared at all hospitals in this city of more than seven million people and urgent appeals were broadcast for blood donors.

Doctors at one hospital said 28 bodies had been brought there and there was no room for any further injured.

Firemen said 350 shops and houses in the Orangi suburb had been set on fire.

Troops with shoot-on-sight orders rushed to enforce curfews in several areas and quell the violence, which erupted on the third day of a major sweep against drug and arms-traffickers.

Police sources said more than 30 people had been arrested. The violence erupted in Orangi town, a suburb largely inhabited by Mohajirs, who migrated to Pakistan when British India was partitioned in 1947.

Residents told Reuters by telephone that men from the Rival Pashtun community launched an apparently pre-planned assault on the area yesterday morning, firing indiscriminately into the air.

The residents said Mohajirs were attacked, injured and killed while those Pashtuns living in the area were escorted away unarmed.

The Pashtuns, from north-west Pakistan bordering Afghanistan, set fire to Mohajir-owned properties with kerosene they had brought with them, the residents said.

The two communities have a history of ethnic clashes going back more than two decades, and last month at least 58 people were killed in rioting.

Navon opposed to censorship

Jerusalem Post Staff
Education Minister Yitzhak Navon announced last night that he had reached the conclusion that censorship of plays — but not films — should be abolished, because the Israeli public was mature enough to judge what it wanted to see on the stage.

Navon made the announcement after meeting with representatives of the Israel Playwrights' Association. He said that in the past seven years, 419 plays had been submitted to the Film and Theatre Censorship Board, and six had been rejected.

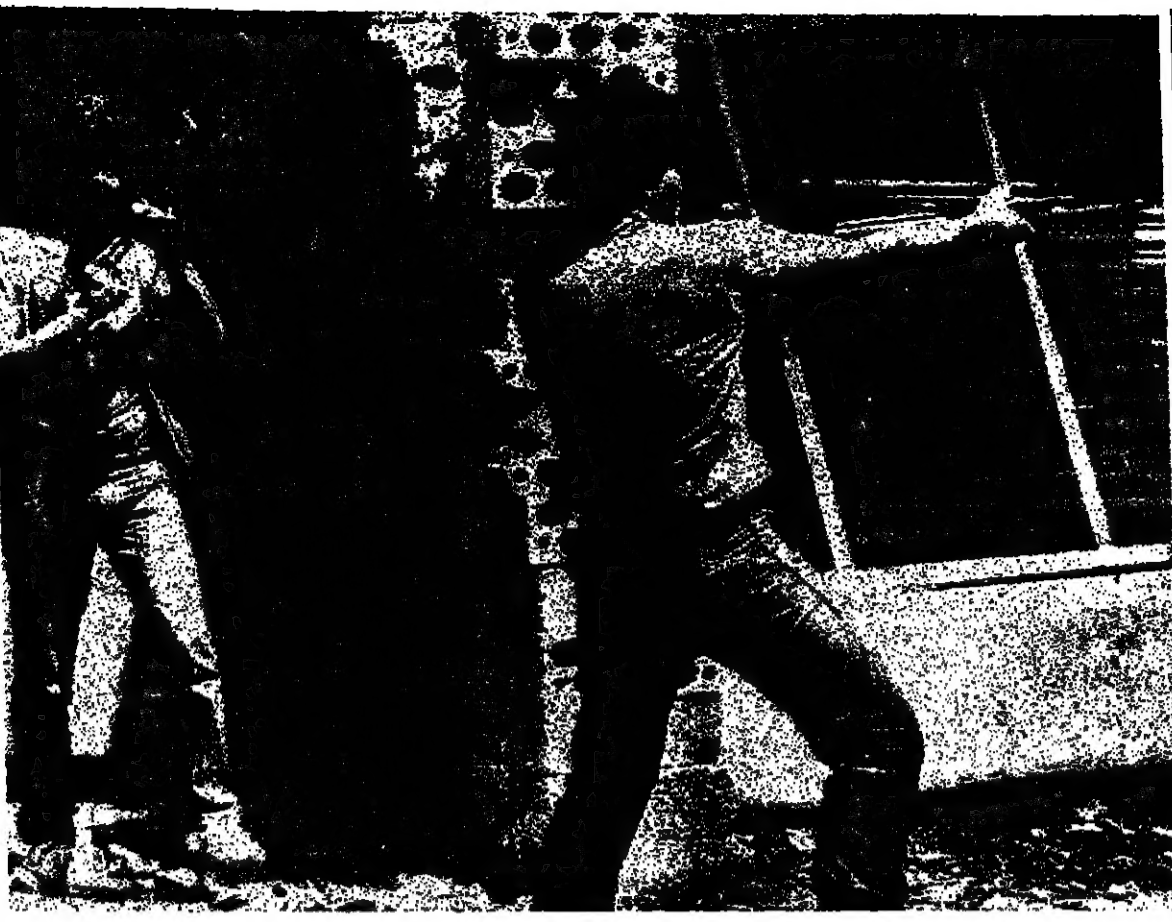
No kesim on special court

By HAIM SHAPIRO
Jerusalem Post Reporter
A special rabbinical court dealing with Ethiopian Jews is to convene for the first time today, in Jerusalem. But this is not the special court that was promised as part of the agreement that ended a month-long strike by Ethiopian immigrants against the chief rabbinate last year.

Deputy director-general of the Religious Affairs Ministry, Ze'ev Rosenberg, told *The Jerusalem Post* last night that the court would not include the special council of *kesim* (religious elders), who, according to last year's agreement, were to have advised the court on the personal status of Ethiopians seeking to get married.

Last night ministry officials could not explain the limited composition of the court.

(Continued on Page 7)



A Shi'ite gunman fires at a Palestinian position in Beirut's Bourj al-Barajneh refugee camp yesterday. (Reuters)

As Fatah refuses to quit Maghdousheh

PLO-Amal clashes continue in Beirut

Post Middle East Staff and Agencies
The Shi'ite Amal militia bombarded Beirut's Bourj al-Barajneh Palestinian refugee camp yesterday evening with heavy artillery fire following the refusal of the PLO's Fatah faction to withdraw from its positions in the South Lebanese town of Maghdousheh.

Fatah's refusal to withdraw torpedoed the latest Iranian-mediated effort to end three weeks of fighting between Palestinian and Shi'ite forces.

Earlier yesterday, pro-Syrian Palestinian factions surrendered their positions in Maghdousheh to members of the pro-Syrian Hizbullah militia, Radio Monte Carlo reported. But Hizbullah fighters offered no resistance when pro-Arafat Palestinians reoccupied the positions a short time later, the radio said.

"All positions evacuated...have been filled again by PLO forces," a PLO official told Reuters News Agency. "There will be no withdrawal from Maghdousheh until we receive minimum guarantees."

He said these comprised an end to Amal's siege of the Palestinian refugee camps of Rashidiyeh near Tyre and Shadilla in Beirut. Talks would have to follow to define a new basis for Lebanese-Palestinian relations, he added.

In Beirut, Amal was reportedly hitting Bourj al-Barajneh with an average of 10 shells a minute last night after an Amal drive to advance towards the camp was repulsed. Radio Monte Carlo reported that Amal was fighting in Beirut along with the Shi'ite First and Sixth Brigades of the Lebanese Army.

Shi'ite Amal leader Nabih Berri said in Damascus that the latest escalation in the fighting came after the Palestinians failed to evacuate their positions in Maghdousheh, according to the Iranian-sponsored plan. He said Amal had previously observed a unilateral cease-fire in accordance with the plan, worked out by Iran, Syria and Libya.

"What is going on now is the implementation of Arafat's plan to return the situation in South Lebanon to 1982," said Berri, referring to the period when the PLO dominated the south before the Israeli invasion.



A small girl is fascinated by an old man wearing a Samurai outfit in a Tokyo subway yesterday. He was on his way to Sengakuji temple to pay tribute to the souls of forty-seven warriors who avenged their master in 1702. (AEP)

'Shultz okayed Iran contacts'

NEW YORK (Reuters). — A U.S. diplomat involved in the Iran arms affair says he was told Secretary of State George Shultz had approved secret negotiations although Shultz has since denied knowledge of them, *The New York Times* reported yesterday.

Ambassador to Lebanon John Kelly said he had received a secret cable from former national security council chief John Poindexter saying Shultz concurred, the newspaper said.

It quoted unnamed officials as saying that some State Department staff members felt Kelly had been humiliated by Shultz's public statements before the ambassador was able to tell his side of the story.

In comments to the House of Representatives Foreign Affairs Committee last week Shultz said he had been shocked to learn that Kelly was involved in the affair without informing the State Department.

But Kelly has told officials since of the secret cable.

In it, he says, Poindexter said Shultz concurred in a plan to bypass the State Department while holding secret talks with Iran designed to gain freedom for American hostages in Lebanon.

Congressional sources said yesterday that the Senate Intelligence Committee plans to consider today calling cabinet-level witnesses, including embattled White House Chief of Staff Donald Regan, in its hearings on the Iran arms affair.

Senate Republican leader Robert Dole said yesterday that Regan had vowed to stay in his post, rejecting demands that he resign over the arms scandal.

"I'll tell you one thing, I'm not leaving the White House," Dole said yesterday.

(Continued on Page 2, Col. 4)

Tax plan under siege Nissim being pushed into 'partial retreat'

By AVI TEMKIN
Post Economic Reporter
Finance Minister Moshe Nissim is being forced to make more and more concessions on the Treasury's proposed reform of the tax system and capital market, in order to compensate groups that stand to lose from the plan. Senior government sources said last night that the compromises amounted to a partial retreat from the plan's original objectives.

But the spokesman for the Treasury declared last night that it would stick by the plan's original goals.

Government sources said yesterday that the amounts needed to finance the reforms are growing daily due to politicians' demands to compensate groups for losses they will face as various tax exemptions are scrapped. Nissim has been disposed to make these concessions in order to keep the government's commitment that no one will be hurt by the reforms.

Those who stand to be hurt most are middle-income wage-earners, those exempt from income tax (such as residents of development towns), working mothers, recipients of child allowances and old-age pensions, and night-shift workers.

Nissim met individually yesterday with Premier Shamir, Vice Premier

Peres, Defence Minister Rabin and Education Minister Navon to discuss budget cuts. The Treasury says that, if the plan is to succeed, it must be accompanied by a NIS 500 million cut in next year's budget, which will be taken mainly from defence, education and health.

The Treasury has given up all plans of imposing a 1 per cent turnover tax on stock exchange transactions, or any other tax on the bourse.

Government sources were very critical of the way the plan was presented to the public. They said it needlessly increased the public's concern and made more enemies for the reforms than would have emerged otherwise.

Confusion was much in evidence yesterday at the Treasury, as officials were engaged in a round-the-clock effort to put finishing touches to the reform plan. Because it lacked a more detailed proposal, the Treasury was forced to ask for a delay in a meeting of the economic inner cabinet with representatives of the Histadrut and private employers.

The meeting was to have taken place yesterday, but was postponed until today for what were called "technical reasons."

Officials indicated that their original calculations showed that the Treasury would lose some NIS 300m. in revenue due to the tax

(Continued on Page 2, Col. 2)

Histadrut rejects major elements

By MICHAEL YUDELMAN
Jerusalem Post Reporter
The Histadrut yesterday rejected major parts of the new economic programme, maintaining that they would harm the majority of Israel's wage earners while constituting "a gift from heaven" for those in the higher-income brackets.

Histadrut Secretary-General Yisrael Kessar stressed that the finance minister had still not provided the Histadrut with full details of the economic programme.

"This is strange, inexplicable and intolerable, when the trend should be towards communication and cooperation between government, Histadrut and employers in implementing an overall programme to continue economic stability, ensuring employment and reducing inflation," Kessar said at a meeting of the Histadrut Central Committee yesterday morning. The committee decided yesterday that:

□ The Histadrut would support talks between itself, the government and employers in order to ensure economic stability and continue the fight against inflation.

□ Income resulting from any reform

(Continued on Page 7)

Stresses 'reasonableness' of decision on Nakash

Sharir affidavit to High Court today

By MENAHEM SHALEV
Jerusalem Post Reporter
Justice Minister Avraham Sharir's reasons for not extraditing William Nakash to France will be presented to the High Court of Justice this morning.

Justice Ministry sources said last night that Sharir's sworn affidavit, which got its final review by the State Attorney's Office last night, will stress the "reasonableness" of the minister's decision.

The affidavit, which is being submitted a day after the High Court's seven-day deadline, reportedly

states that Sharir was not influenced by any "extraneous considerations." It cites his failed attempts to pass a law that would have made it possible to imprison Nakash in Israel, and stresses his concern for Nakash's safety in a French jail.

The affidavit will also claim that Sharir lawfully exercised his discretionary powers under the Extradition Law and that, therefore, the High Court should not intervene in the matter.

Two lawyers from the Ministry's High Court Division are to defend Sharir's decision before the court.

Ten Hebrew University professors, some from the Faculty of Humanities, have decided to join the petition against Sharir, originally filed by Citizens Rights Movement MKs Shulamit Aloni and Dedi Zucker.

Professor Adi Zemach, of the university's philosophy department, told *The Jerusalem Post* last night that "non-legal" academics have signed the petition in order to emphasize the "public character" of the opposition to Sharir's decision.

Referring to a possible legal claim

(Continued on Back Page)

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BUSINESS CLASS



ISRAEL DISCOUNT BANK

Bnei Brak sewers choc-a-block

By YORAM GAZIT
Jerusalem Post Reporter
TEL AVIV. — For 10 days Bnei Brak sanitation workers tried to discover why the sewers in Kishon Street, near the town's industrial centre, were repeatedly overflowing.

Yesterday they found the answer. As amused residents watched, council workers and specially hired outside contractors extracted large chunks of a dark, sweet-smelling substance from the manholes in the street. At least a ton of chocolate had been poured in the sewer.

Bnei Brak's mayor, Rabbi Moshe Orenstein, yesterday filed a complaint with the Dan police to try to trace the source of the chocolate. He estimated that some NIS 200,000 would be needed to clear the sewers. "There are places where we may have to tear up the streets," he said.

An official municipal announcement said that the "sanitation engineer Arkady Kuniuk and his team of workers had established that a large amount of chocolate had been poured into the sewers, apparently late at night. Municipal officials speculated yesterday that a truck driver, contracted to dispose of defective chocolate from one of the nearby factories, had emptied his tanker into the sewage instead of making the haul to an approved dumping site. Once in the system, the chocolate solidified, causing blockages. David Moshevit, general manager of the Elite coffee and confectionary company, said he was shocked to hear that about a ton of chocolate was found in nearby Bnei Brak's sewage. "This is the first time in my life that I have heard of such a thing," Moshevit said. "I don't have the slightest idea how the chocolate could have got into the sewage." Defective chocolate is usually burnt as a solid and not disposed of in solution, he said.

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The Jerusalem Post Hanukkah Toy Fund HANDICRAFTS FAIR — Over 50 artisans selling thousands of utterly unique crafts at bargain prices in a carnival atmosphere. Come one, come all —
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The weather at major Swissair destinations

	14.12.86	MIN.	MAX.	
AMSTERDAM	2 36 43	Clear		
BRUSSELS	2 36 43	Clear		
BONN/AIR	15 29 38	Clear		
COLOGNE	-17 1 -4	25	Cloudy	
COPENHAGEN	2 36 43	Clear		
FRANKFURT	1 34 37	Cloudy		
GENEVA	1 34 37	Cloudy		
HAMBURG	-1 34 37	Cloudy		
HONG KONG	25 64 73	Clear		
JERUSALEM	15 29 38	Clear		
LONDON	11 22 31	Clear		
MADRID	1 34 37	Cloudy		
MONTREAL	-17 1 -4	25	Cloudy	
NEW YORK	1 34 37	Cloudy		
OSLO	2 36 43	Clear		
PARIS	1 34 37	Cloudy		
ROME/CIAMPINO	1 34 37	Cloudy		
SAO PAULO	25 64 73	Clear		
STOCKHOLM	-1 34 37	Cloudy		
TOKYO	15 29 38	Clear		
TORONTO	-17 1 -4	25	Cloudy	
VIENNA	1 34 37	Cloudy		
ZURICH	2 36 43	Clear		

*For the latest weather conditions contact Swissair.

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THE WEATHER

Forecast: Partly cloudy

	Yesterday's	Today's	Humidity	Min.	Max.
Jerusalem	100	6-10	12		
Golan	76	6-13	14		
Nahariya	8	8	12		
Safed	89	6-9	12		
Haifa Port	8	8	12		
Tiberias	63	10-19	20		
Nazareth	69	8-14	16		
Afula	63	10-18	19		
Shoshon	76	8-12	14		
Tel Aviv	62	11-16	18		
B-G Airport	71	11-14	17		
Jericho	76	7-18	20		
Gaza	83	12-18	19		
Beersheva	72	6-16	18		
Eilat	41	11-20	22		

SOCIAL & PERSONAL

An honorary doctorate was conferred last week on the president of the Weizmann Institute of Science, Prof. Arye Dvoretzky, by the University of Buenos Aires. In the course of a week-long visit to Buenos Aires, Prof. Dvoretzky also signed agreements on behalf of the Institute with the Argentine National Commission for Science and Technology and the Argentine National Institute for Industrial Technology. Prof. Dvoretzky was accompanied on his visit to Argentina by the Institute director for special affairs, Mr. David Moushine, and its General Representative in Latin America, Prof. Nelson Pilosof. At a reception given by the Israeli Ambassador to Argentina, Efraim Tari, Prof. Dvoretzky met with leaders of the local scientific and Jewish communities, and friends of the Weizmann Institute.

In Memoriam

Prime Minister Shamir, Vice Premier Peres and Knesset Speaker Hillel were among those who gathered at the grave of former prime minister Golda Meir yesterday on Mt. Herzl in Jerusalem, to pay their respects on the eighth anniversary of her death.

Jens Borchard laid to rest

HAIFA. - The funeral took place here yesterday of Jens Borchard, who was considered a pioneer in the revival of Hebrew shipping. He was 84.

He was born in Hamburg where his mother Lucy Borchard ran a rug and lighter service at the port, when the Nazis came to power the Borchards moved to England, where Lucy Borchard enlarged her business.

The family were veteran Zionists. In 1934, Jens came to Palestine and established the "Atid" (Future) shipping company, which operated several small freighters in the Mediterranean. During World War II, Atid ships sailed in the service of the British forces, during Israel's War of Independence, they were a vital link for the state when many foreign shipping companies stayed away. Atid stayed in business until the late '50s.

Jens Borchard's greatest contribution to Israeli shipping was the training of some of the sailors who later manned the first Israeli fleet since the days of Solomon.

He leaves a daughter, two sons and 11 grandchildren.

Bein to get Israel Prize

Jerusalem Post Reporter Dr. Alexander Bein, the country's first state archivist, is to be awarded the Israel Prize for Zionist historiography.

HOME AND FOREIGN NEWS

Protest against government 'enmity'

Jerusalem council stages walkout

By MYRA NOVECK

The entire Jerusalem City Council staged a walkout from its own meeting last night in protest against what councillors called government "enmity" towards the capital. All the factions present voted to leave the session and not schedule any council business until the Ministerial Committee on Jerusalem sets a meeting with the council.

The formal statement explaining the walkout related only to government neglect of Jerusalem, but the action reflected deep unrest in the council over insinuations and leaks concerning alleged wrongdoing by Mayor Teddy Kollek.

The original motion for early adjournment had been made by Avner Peretz of Kollek's One Jerusalem faction. It was impossible, he said, to expect the mayor, his administration and city employees to do their work when a "lynch

atmosphere" prevailed.

"We bleed with anger in private, but we come here and act as if it's business as usual," Peretz said.

Kollek was reportedly close to quitting last month over rumours in the media linking him to several cases under police investigation, including those of Interior Ministry district representative Rafi Levy and former municipal department chief Mordechai Darwish.

After Peretz made his proposal, the council adjourned for an hour to let the heads of the factions meet. When it reconvened, the subject of the mayor had been struck from the agenda. But the factions decided to go ahead with the walkout to protest against the government's treatment of the city.

The municipality has a long list of complaints concerning government neglect. But the straw that broke the camel's back, said One Jerusalem faction head Emanuel Zisman, was the three-month delay in Knesset Finance Committee approval of a NIS 10m. grant already agreed upon by the Finance and Interior Ministries.

The money is earmarked to cover part of a debt incurred in 1984 during the period of high inflation, when government ministries were several months late in transferring millions of unlinked shekels.

The protest action will not affect municipal offices. But committees and subcommittees of the council, such as those handling tenders and building permits, will not meet.

Agudat Yisrael councillors were absent from last night's meeting for personal reasons.

Capital's security forces are reinforced

Post Diplomatic Correspondent

The security forces in Jerusalem have been beefed up substantially in the past few days, but it is impossible to place a policeman at every street corner or to prevent every attack, Police Minister Haim Bar-Lev told the cabinet yesterday.

Bar-Lev briefed the cabinet during its weekly meeting on the stabbing of David Lipshitz near Damascus Gate in Jerusalem on Friday evening, and said that the ministers would be more fully briefed on the general problem of security in the

capital, possibly next week.

Bar-Lev said the matter, and security in the West Bank, was currently on the inner cabinet's agenda. The essence of the inner cabinet's deliberations and its recommendations would be brought before the full cabinet, he promised.

Bar-Lev said that no suspects had been arrested in the stabbing and that it was unclear whether the knife found near the scene of the stabbing was connected with the crime.

Two petrol bombs were tossed

into the home of an Arab family in the Wadi Joz neighbourhood of East Jerusalem neighbourhood dawn yesterday. No one was injured, but two windows were broken, a bed was burned and the walls of the Abu Gharbiye family home were covered with soot.

Zahran Hassouma, head of Jenin's education council, was stabbed near his home yesterday, police said. He was stabbed several times and hit on the head with a metal rod. He was taken to hospital and police began a search for two attackers believed to be Palestinian extremists.

Areas unrest 'stems from frustration'

Jerusalem Post Reporter

The head of the Judea and Samaria Civil Administration, Tat-Aluf Efraim Sneh, said yesterday that the recent disturbances in the territories were mainly a spontaneous expression of the frustration of the residents, Israel TV reported last night.

He was speaking during a tour of Nablus with five members of the Knesset finance sub-committee for the defence budget.

The tour was originally scheduled to study the activities and budgetary problems of the civil administration, but focused on the recent unrest in the area.

Sneh said that the unrest stemmed from the residents' feelings of frustration and hopelessness, and were not primarily due to PLO agitation.

The frustration, coupled with "a number of external events...including the fighting in Lebanon and what happened in Jerusalem" led to an explosive situation, Sneh said. "To top it all, factors close to the terrorist organizations took advantage of the situation, especially in places where feelings were already running high," he said.

Director of Shaare Zedek Hospital resigns

By JUDY SIEGEL

Post Science and Health Reporter The director of Jerusalem's financially troubled Shaare Zedek Hospital, Dr. Michael Rosenbluth, tendered his resignation yesterday to the hospital's board of directors.

Rosenbluth told *The Jerusalem Post* that he had resigned "for personal reasons." He denied that his step had anything to do with the hospital's precarious financial condition, caused by Kupat Holim Clalit's decision to withdraw its budgetary support.

Rosenbluth, a former Kupat

Holim official, admitted being aware of reports that he would become the health fund's Jerusalem district physician, but added that "nothing has been finalized."

On November 19, Kupat Holim issued an ultimatum to Shaare Zedek that if its senior doctors did not stop operating the hospital's private medical service (*sharap*), the health fund would terminate its two-year-old agreement with the institution. Under the agreement, the health fund jointly managed Shaare Zedek and covered half of its operating deficit. The hospital's 50 senior

doctors refused to stop *sharap* and the deadline passed, with Kupat Holim and the hospital both refusing to comment.

A tight-lipped Rosenbluth said yesterday that he hoped a way could still be found to preserve the agreement. It was in the best interests of both Shaare Zedek and Kupat Holim to remain together, he asserted.

Rosenbluth was hired three years ago to replace Prof. David Maier, who resigned after a report criticized his management.

SHULTZ

(Continued from Page One)

quoted the embattled chief adviser to President Reagan as saying.

Both allies and critics of the president have demanded that Reagan take responsibility for the secret arms sales to Iran and the diversion of profits to Nicaraguan rebels.

Reagan took a few hours recording a special Christmas programme.

The former actor returned to the relative calm of the stage set in the midst of the worst crisis of his six years in office to play a role he has done expertly before - taping a folksy, earnest message of good cheer to be broadcast by the NBC network during the holidays.

Aides hope that as the holiday season moves into full swing he can divert attention from the scandal that has rocked his administration, and focus attention on other issues.

Profits from the secret arms sales to Iran were diverted to candidates in the November Congressional elections who supported aid for Nicaraguan rebels, according to a newspaper report appearing yesterday.

The *Lowell Sun* in Massachusetts said up to \$5m. from arms sales to Iran was used to fund the election campaigns of conservative candidates for the U.S. Senate.

Four who went to Romania face charges

RAMLE (Itim). - Four members of an Israeli delegation that recently met members of the PLO in Romania are to be charged under a law forbidding such contacts.

Nitzav Mishne Sandor Mazur, the Central District Chief of Investigations, has recommended that the four - novelist Yael Lotan, Mapam activist Latif Dori, Reuven Kammer

and Eliezer Fieler - be charged.

A police spokeswoman said that Mazur's recommendation followed a meeting last week with Attorney-General Yosef Harish, who said that the case should be handled by the police prosecution office even though it was the first time charges were being brought under the law passed by the Knesset earlier this year.

Henry Neufeld at 63

TEL AVIV (Itim). - Henry N. Neufeld, director of the cardiac clinic at Sheba Hospital in Tel Hashomer and a cardiologist of international repute, died early yesterday after a long illness. He was 63.

Neufeld was born in Poland and completed his studies in Vienna in 1948. He was president of the international cardiological society and received the Israel Prize for Medicine in 1984. He served as head of the Sheba unit since 1961.

His funeral will take place at noon today at Kiryat Shani.

Search for Subaru driver

Jerusalem Post Reporter Jerusalem police were last night searching for the driver of a white Subaru who might be linked to the series of rapes and murders in the Negev during the past year, Israel Radio reported.

The police search followed a complaint from a woman who said that the driver of a white Subaru had tried to force her into his car while she was waiting at a bus stop in Ein Kerem on the western outskirts of the capital. When the woman resisted, the man fled.

No plea from Gitit Zehavi

TEL AVIV (Itim). - Gitit Zehavi, 37, who is charged with the 1984 murder of her husband Yosef Israelov, yesterday refused to enter a plea when brought before the Tel Aviv District Court.

The president of the court, Judge Hanna Evenor, agreed to a request by Zehavi's lawyer, Meir Ziv, for a

delay in proceedings to allow him more time to study the prosecution's case. It emerged yesterday that the prosecution is to call 72 witnesses, including British, French and Interpol police officers.

Evenor set the next hearing for March 23 but ordered that Zehavi enter her plea before that.

NISSIM

(Continued from Page One)

reform. But by yesterday, due to the latest concession, the bill had increased by almost NIS 100m.; and it will rise even further in the next few days.

Nissim's determination, to compensate most groups that will be hurt by the reform has forced Treasury officials to revise their calculations. Thus, larger old-age allowances are being considered to compensate the recipients for the tax they will have to pay on them. In this way, Nissim hopes to back up his declaration that the reform will provide gains from lower tax rates that at least as large as the losses expected from scrapping tax exemptions.

The officials added that it was not clear whether such a thing was possible without bloating the cost of the reform to untenable levels.

The economic inner cabinet will convene a few hours before the Central Bureau of Statistics releases the

inflation figures for November. Treasury officials estimated yesterday that prices went up by some 2 per cent.

The officials admitted that unconfirmed reports and rumours about the planned reforms had provoked widespread economic jitters. This was evident in the black market, where demand for dollars surged after months of quiet trading. The officials also said that the latest declarations by Governor of the Bank of Israel Michael Bruno in favour of a freeze of cost-of-living allowances, and the uncertainty surrounding the new plan, may trigger labour unrest.

The delay in convening the economic inner cabinet has forced the Treasury to ask for a postponement of the special cabinet meeting called to approve the plan. The cabinet will apparently meet on Wednesday, by which time Nissim hopes to widen support for the new scheme.



Roger Fajardie (left), head of a European Parliament delegation now in Israel, is greeted by Speaker Shlomo Hillel. The delegation also met yesterday with Vice Premier Shimon Peres, who discussed the government's policy on settlement in the territories. Peres maintained that Israel had improved the "quality of life" of West Bank Arabs by appointing local mayors and introducing economic liberalization. He also told the delegation that Israel had no interest in interfering in the fighting in Lebanon or in the Iran-Iraq war.

Court to hear Arab editor Haniyeh

The High Court of Justice is to hear tomorrow the application of Palestinian editor Akram Haniyeh against his deportation.

The State Attorney's Office told the court yesterday that there was "clear, unequivocal and convincing evidence" that Haniyeh was a senior Fatah activist.

The State Attorney's Office submitted a written argument that the court should not intervene in the case, since security considerations

had led O/C Central Command Ehud Barak to order Haniyeh's deportation. Haniyeh had worked to establish an infrastructure for terrorist organizations and to achieve their subversive aims in the West Bank, the state said.

Haniyeh, who is an author and the editor of the East Jerusalem *A-Shaab* newspaper, has been held in prison since he was served with a deportation order on November 3 (Itim).

Oscar entry is 'Avanti Popolo'

The Israeli entry for the best foreign film at the forthcoming Oscar Awards will be *Avanti Popolo*, which is set against the background of the Six Day War. This follows the withdrawal of a petition to the High Court of Justice yesterday by the distributor of another local film, *Two Fingers from Sidon*, at the suggestion of the bench.

Yoram Belisovski, acting director-general of the Industry and Trade Ministry, yesterday informed the Los Angeles Academy of film

which organizes the Oscar awards that *Avanti Popolo*, produced by two members of Tel Aviv University's Cinema Faculty, would be Israel's entry. The film focuses on two Egyptian soldiers stuck in Sinai during the Six Day War and has already drawn the ire of right-wing politicians, who see it as symptomatic of the erosion of nationalist values in Israeli society.

G-Colour, distributors of the IDF, produced *Two Fingers from Sidon*, petitioned the court two weeks ago.

Rubinstein to Egypt

Post Diplomatic Correspondent Communications Minister Amnon Rubinstein will this week try to obtain Egyptian agreement to establish direct telephone dialling between Israel and Egypt.

Rubinstein, who left last night for a three-day visit to Cairo as the guest of his Egyptian counterpart, Suleiman Murawali, will also try to coordinate the use of air waves between the two countries.

Included in the six-man group is MK Zaidan Atshi, also of Rubinstein's Shinui Party.

Mickey Berkowitz misses day in court

TEL AVIV (Itim). - Tel Aviv Macabi basketball star Mickey Berkowitz failed to appear yesterday in the magistrates' court here to face charges of failing to display prices on some of the merchandise in his sports goods store in Ramat Hasharon.

Judge Yitzhak Braz ordered that Berkowitz be made to appear for the next hearing, scheduled for January 25, and deposit NIS 500 with the court until that date.

In deep sorrow, we announce the passing of

NELLY AXELRAD

widow of Dr. Samuel Axelrad

The funeral took place on Friday, December 12, 1986,

(Kislev 10, 5747).

The Family

We mourn the passing of our beloved Opa

EMANUEL WOLF

The family will be observing shiva at the Rein family residence in Kutzat Yavne through Motza'ei Shabbat (Tel. 055-29870).

With great pain and sorrow, I announce the death of my beloved mother

EDITH (Judith) KATZENSTEIN

Mourners: Ruth Smilovici-Katzenstein Carol Smilovici Shiva at 29 Ben Zvi Blvd., Ramat Gan.

In very deep sorrow, we announce the passing of our dearly beloved

EPHRAIM FRITZ CHOCZNER

at the age of 61.

The funeral will take place today, Monday, December 15, 1986 (13 Kislev 5747), at 2:00 p.m., at Herzliya Cemetery, Rehov Pinsky.

A bus will be available for those attending, leaving at 1:30 p.m. from the Diamond Exchange, Ramat Gan.

Wife: Shulamit Choczner
Son: Dori Choczner
Daughter: Sabina Calahorra
Daughter: Elia and Eli Baran
Sister: Rachel and Johnny Kern and family
Granddaughters: Elinor and Elyanne Baran

With profound sorrow,
we announce the death of our dearest

SAM PIOTRKOWSKI

on December 13, 1986, at his home in Lugano.

Family and Friends

American held in Nicaragua on spy charge

MANAGUA (AP). — An American carrying military maps was arrested Friday on suspicion of spying in a restricted area near an air force base, the Nicaraguan government disclosed yesterday.

The government identified the arrested man as Sam Nesley Hall, 49, who according to reports in the U.S. is the brother of U.S. congressman Tony Hall.

"Sam Hall was seen in a military base in Nicaragua. He was captured. In his shoes we found some maps," Foreign Ministry spokeswoman Angela Saballos said in a telephone interview.

"He said that he was working for an organization that... specialized in intelligence and espionage on military objectives... and that he was working for U.S. government interests," she said.

The official newspaper *Barricada* carried a brief communiqué from the Interior Ministry under the headline: "Spy captured in Punta Huete... another Yankee."

The communiqué quoted the arrested man as saying he worked for an organization called the Phoenix Battalion, described as a private organization to gather intelligence.

The newspaper quoted Foreign Minister Miguel D'Escoto as saying Hall would be investigated in the same manner as Eugene Hasenfus, the U.S. mercenary whose plane was shot down while on a supply mission to Contra rebels. Hasenfus was sentenced to 30 years in prison.

Saballos confirmed Hall was "being investigated," but did not elaborate.

In a report carried by the U.S. Mutual Broadcasting System, that the information so far obtained "confirmed information we have gathered from many sources about a U.S. plan to attack Nicaragua."

"The map that was found containing the type of information with some technical data that would be of interest only to someone who has evil intentions — would be of interest only to a real or potential enemy of Nicaragua," D'Escoto said.

D'Escoto said Hall first identified himself as a writer interested in Nicaragua, but then told the authorities that he was a member of the Phoenix Battalion.

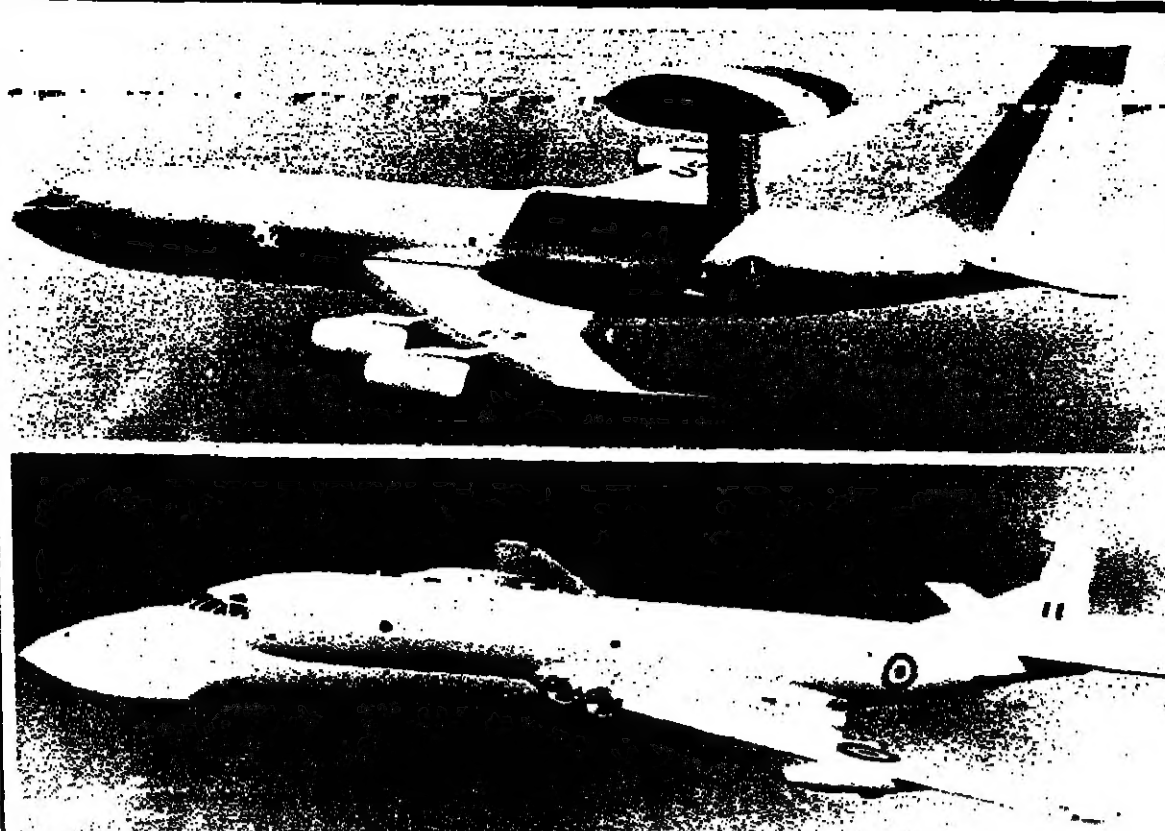
"He said that this battalion is a private organization that works for the U.S. armed forces," D'Escoto said.

"He said that the function of that battalion was to carry out espionage and gather military intelligence data of interest to the U.S. government," the Foreign Minister added.

State Department spokesman Bruce Ammerman said he had no independent confirmation of Hall's arrest.

In Washington, the press secretary for Congressman Hall said he was "not anxious to take calls," but he released a statement that said: "I am surprised and concerned over press reports about my brother, Sam. I have received no confirmation from the State Department."

"I do not share the same views on U.S. policy in Central America as my brother does, but I love him and pray for his safety," the statement said.



The Boeing AWACS (top) and Britain's Nimrod — the two rival advanced surveillance aircraft involved in yesterday's political row in Westminster. (Reuters)

Uproar in Britain over Awacs order

LONDON (Reuters). — Britain's Conservative government faced political uproar yesterday over its reported intention to scrap 10 years of expensive work on a British aerial surveillance system in favour of a U.S. rival.

The chairman of the General Electric Corporation (GEC), which built the Nimrod plane at a cost to the taxpayer of almost £1 billion (\$1.42 billion), called for an independent inquiry into the way the government has evaluated the British system against the Boeing corporation's Awacs.

The final work on Nimrod, due to have entered service more than three years ago to replace highly

antiquated aerial reconnaissance equipment, could come at a cabinet meeting on Thursday.

A Ministry of Defence committee unanimously recommended last week that the government jettison the Nimrod project and spend additional millions to buy Boeing's Airborne Warning and Control System.

"We simply don't understand how this decision has been reached in the way it has," James Prior, a former cabinet member who often clashed with Prime Minister Margaret Thatcher on economic policy, said in a radio interview.

The company says 2,500 jobs would be lost if the government

decides on Awacs and the opposition Labour Party has also launched an attack on the anticipated decision.

"Once again Mrs. Thatcher is bending the knee to President Reagan," Labour's domestic affairs spokesman Gerald Kaufman told a meeting in Wales Saturday. "She is turning Britain into an American poodle instead of a self-respecting ally."

Over 100 members of parliament, both Conservatives and Labour, have signed a motion urging the government to back Nimrod, dogged by technical problems that have raised doubts about its reconnaissance capability.

President turns to 'wise men' for help White House staff chief likely to be next man out

WASHINGTON (Reuters). — White House Chief of Staff Donald Regan seems likely to become the next casualty of the snowballing Iran arms scandal as President Reagan turns to outsiders for help in ending his worst political crisis.

A sure sign of Regan's vulnerability, political experts say, is the fact that the President, his wife Nancy and his closest friends have turned to such Washington "wise men" as former defence secretary Clark Clifford, former secretary of state William Rogers and former Democratic national chairman Robert Strauss for advice on how to cope with the Iran affair.

Consulting leaders of the Washington establishment is a technique resorted to by Lyndon Johnson, Richard Nixon and Jimmy Carter during the darkest days of their administrations.

"The president luckily is beginning to understand that if his presidency is to survive, he's got to get ahead of the power curve," one well-informed Republican source told Reuters.

"Don Regan will be gone by the new year. Probably (Central Intelligence Agency Director William) Casey also," the source predicted.

Casey's competence has been called into question because of his agency's active role in the transfer of arms to Iran and its apparent ignorance of a legally dubious offshoot of the secret operation — the diversion of profits to U.S.-backed Nicaraguan rebels through a numbered Swiss bank account set up by the CIA.

But Regan, a gruff 67-year-old former Wall Street executive who

used to relish being called Reagan's "Prime Minister," has come under a withering political crossfire as the Iran scandal has unfolded.

White House communications director Patrick Buchanan told reporters Friday the president planned to keep Regan on throughout the swirling controversy.

"The president has made that call. He's going to stick with Don Regan," said Buchanan, one of Reagan's most conservative advisers.

A number of the president's allies in Congress, including House Republican leader Robert Michel, have publicly suggested Regan should quit, saying if he did not know what was going on in the affair, he should have.

Former White House associates with old scores to settle with Regan and his hand-picked aides, sarcastically called "the mice" by their critics, are also demanding Regan's scalp.

Political consultant Ed Rollins, reportedly blackballed by Regan for a cabinet post after managing Reagan's re-election campaign, is one of the most outspoken.

A source close to one of Reagan's oldest friends said he was less certain now than he was last week that Regan would be leaving soon. He added that the president's inner circle would be greatly relieved if the chief of staff bowed out.

Some White House officials believe Regan's departure would go a long way toward extinguishing the political firestorm now raging in the nation's capital but say they are under no illusions it would end it completely.

Pretoria frees 2 Swiss after stiff Berne protest

BERNE (Reuters). — South Africa told Switzerland yesterday that two Swiss citizens captured by South African forces in a raid on Swaziland had been freed and had left the country, a Foreign Ministry statement here said.

Pretoria reported that commercial artist Daniel Schneider, 29, and his fiancée Corinne Bischof, 25, "have been freed... and returned to Mbabane, capital of Swaziland."

Swaziland reported the two were abducted during South African raids on houses in Mbabane and the industrial city of Manzini on Friday, the day after Pretoria cracked down on anti-apartheid groups in South Africa.

The Foreign Ministry statement noted that the release came after Switzerland had "stated strongly that detention of these two people would damage our relations."

In Pretoria, South African Fore-

ign Minister P. W. Botha issued a statement saying: "Their detention arises from information acquired by the South African defence force that they were involved in activities which would affect South Africa's security and which justified urgent attention and counter moves by security forces."

But there were "special circumstances of this case and... the government has come to the conclusion it would be in South Africa's best interest to send the two people back to Swaziland today," Botha added.

In Johannesburg, police announced they shot and killed a suspected African National Congress guerrilla at a roadblock in the Northern Cape province and two policemen were injured in a land mine explosion. Four other people were arrested and a quantity of arms seized, including Soviet-made firearms, ammunition and hand-grenades.

24 dead as Tamil's largest rebel group crushes rivals

COLOMBO (AP). — The largest Tamil militia overpowered a rival rebel group in fighting over the weekend, leaving at least 24 people dead and scores injured, according to reports reaching the capital yesterday.

Tamil journalists in the northern city of Jaffna, who spoke on condition they not be identified, said the Liberation Tigers of Tamil Eelam (LTTE) had virtually taken over the Eelam People's Revolutionary Front (EPRLF).

At midday yesterday, the Tigers drove through Jaffna with loudspeakers mounted on cars, proclaiming the EPRLF "had surrendered arms, men and camps," one journalist said.

It was the second rival militia group eliminated as a power by the Tigers. In May, the group all but destroyed the Tamil Eelam Liberation Organization, killing about 100 rival Tamils, including leader Sri Sabaratnam.

The Tamil groups have been fighting the Sri Lankan government for three years for a separate homeland they want to call "Eelam," an ancient Tamil name for Sri Lanka. The campaign has been waged in the island's north and east, where most Tamils live.

The fighting came as government officials prepared for the second visit in four weeks of two Indian ministers to Colombo for talks to seek an end to the ethnic conflict.

IN BRIEF

Recorder recovered in Aeroflot crash

EAST BERLIN (AP). — Investigators probing the crash of a Soviet jetliner have recovered the flight recorder and are focusing on human error as a possible cause of the accident that killed 70 of the 82 people aboard. Twelve survivors are being treated in Berlin hospitals.

The Aeroflot Tu-134, flying from the Soviet city of Minsk, crashed Friday night in heavy fog in a wooded area about 3 km. from East Berlin's Schoenefeld airport, killing 60 East Germans, an Austrian and nine members of the Soviet crew.

Over 30,000 protest pollution in Rhine

BONN (Reuters). — Over 30,000 people demonstrated against chemical pollution of the Rhine yesterday, forming human chains down its banks, blocking bridges and paralyzing traffic.

The organizers said demonstrations were staged from Basle in Switzerland to the Netherlands to protest at recent chemical spillage into the river and to demand tougher anti-pollution laws.

Iran holds Briton in border shootout

NICOSIA (AP). — Iran's news agency said yesterday British passport holder, Nicola Nicola, had been arrested two weeks ago after trying to infiltrate into Iran from Pakistan and engaging border guards on both sides in a shootout. The agency claimed that a British passport, documents and maps found on him raised suspicion that Britain was trying to create tension in the region, "and has prepared extensive plans for clashes in the area between Iran and Pakistan."

10 years' prison for threatening Reagan

MIAMI (AP). — A man described as having a history of psychiatric problems was sentenced to 10 years in prison for sending threatening letters to President Ronald Reagan.

Ronald J. Mitchell, 31, pleaded guilty Friday to two counts of threatening the president. He never stated a reason for wanting to kill him.

3 charged for rape

TEHERAN (Reuters). — Three young men were hanged at dawn before a large crowd in a square here yesterday after being convicted on several charges of aggravated rape and kidnapping, the *Kayhan* newspaper reported.

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David Horowitz Lectures — 1986

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The Challenge of International Economic Policy I

Wednesday, December 17 1986 at 5:30 p.m., at The Hebrew University, Meiersdorf Bldg., room 502, Mt. Scopus, Jerusalem.

Opening remarks:

Prof. Michael Bruno, Governor of the Bank of Israel

Second lecture:

The Challenge of International Economic Policy II

Thursday, December 18, 1986 at 6 p.m., at Tel Aviv University, hall 1, Peretz Nafati Bldg.

Opening remarks:

Mr. Eli Hurvitz, President of the Israel Association of Banks and Chairman, Board of Directors, Bank Le'umi Le'Israel Ltd.

Entrance to parking through Remisiano Gate (4).

The Ivory Coast Embassy in Israel

hereby announces that as of

Monday, December 15, 1986

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the 7th floor of the "Dan Panorama" Hotel,
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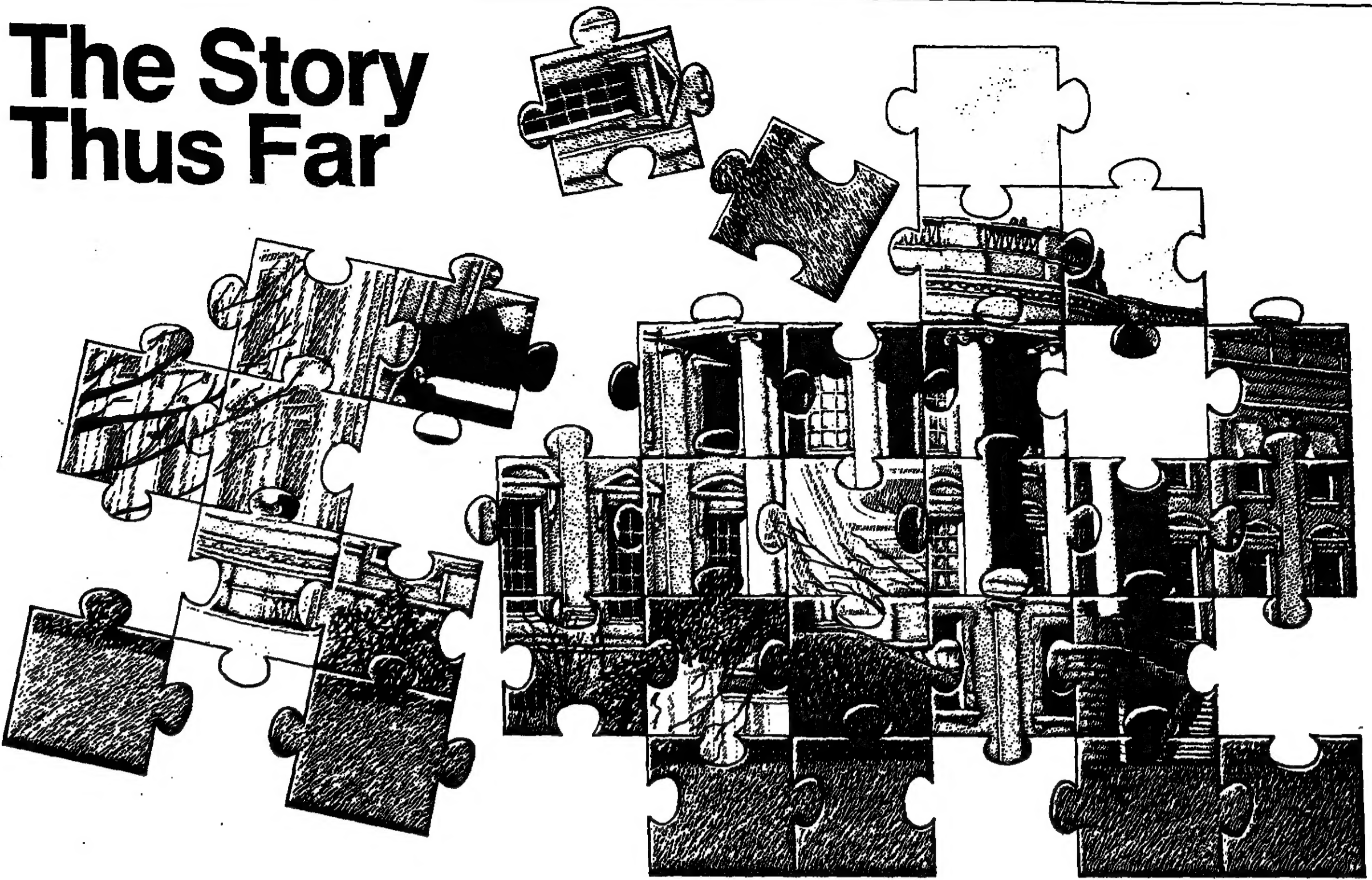
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The Story Thus Far



Assembling Some of the Pieces of the Puzzle

By ROBERT PEAR

WHAT has come to be called the White House Crisis first crept into the public view early last month with a report in an obscure Lebanese magazine that American arms had been sold to the Iranians. Relentlessly, the story has grown day by day with a rush of confusing reports from around the world. There have been startling revelations — the most riveting of them about the diversion of some sale proceeds to the Nicaraguan rebels — and secret hints, contradictions and accusations, admissions following denials. Trails have led to a dozen countries, with a dizzying and ever-larger cast of characters, preoccupying Congress and the Government. There are still far more questions than answers. What follows is an attempt to assemble some of the pieces of the puzzle.

The Managers President Reagan

On Jan. 17, 1986, Mr. Reagan signed a secret order authorizing diplomatic overtures and the sale of weapons and spare parts to Iran. There is disagreement about whether he gave prior approval for Israeli shipments of American arms to Iran in September and November 1985, before the United States began shipping weapons directly. It is not clear how much Mr. Reagan knew about details of the shipments. What he knew, and when, are perhaps the most important questions of all. The President says he was "not fully informed" about the diversion of money from the Iranian arms sales to the rebels fighting the Government of Nicaragua. He says he learned of the diversion from Attorney General Edwin Meese 3d on Nov. 21 and 24, long after it happened. Many members of Congress, and 47 percent of the American people, according to a New York Times/CBS News Poll, believe that he is not telling the truth. But no proof has been made public, one way or the other.

The President says his goals in approving the arms sales were to improve relations with Iran, to help end the Iran-Iraq war and to seek the return of the American hostages held in Lebanon. He denies that this policy, as implemented by his aides, amounted to trading arms for hostages. It is not clear exactly what the President knows about how the situation developed or when he was told about the actions that were taken or were about to be taken. He has not been accused of illegal activity.

Many members of Congress say that his policy toward Iran was extremely unwise and that he was negligent in permitting the National Security Council staff to run covert foreign operations from the basement of the White House.

Mr. Reagan defends his efforts to improve relations with Iran and initially denied that he had made any mistakes. More recently, he admitted that the execution of his policies was "flawed" and that "mistakes were made." He says Americans will eventually understand and support his policies. He has declined to ask the aides involved in the

scandal for full particulars, he says, because this would interfere with other investigations.

Donald T. Regan, Chief of Staff

Mr. Regan has exercised tight control over the White House staff since he became its chief in February 1985, and he has talked of his expertise in foreign affairs. But he insists that he did not know until Nov. 21 about the diversion to the contras of profits from Iranian arms sales.

The National Security Council "does not report to me," Mr. Regan declared Nov. 26 in an apparent effort to distance himself from the scandal. "Does the bank president know whether a teller in the bank is fiddling around with the books? No."

Mr. Regan has dismissed as "ridiculous" reports that Lieut. Col. Oliver L. North, the Security Council operative who directed efforts to assist the contras with money from the Iranian transactions, briefed him on these arrangements. It is unclear how much he knows about the diversion or when he learned of it.

Members of Congress and the President's political advisers are urging him to replace Mr. Regan. So is Nancy Reagan, according to people with longstanding ties to the President's family.

George P. Shultz, Secretary of State

Mr. Shultz says he received only "fragmentary" and sporadic information about the shipment of American weapons to Iran. However, he acknowledges that he took part in two "full-scale discussions" of the program at White House meetings in December 1985 and January 1986.

He says he opposed the sale of American weapons to Iran and had "zero" knowledge of the diversion of Iranian payments to the contras until it was disclosed publicly last month. Some members of Congress have criticized him for not being more vigorous in his opposition or more aggressive in his attempts to find out what was happening.

Mr. Shultz says he was "shocked" to learn that the White House had jumped the chain of command and dealt directly with the American Ambassador in Lebanon, bypassing the Secretary, the Ambassador, John H. Kelly, said he had had "back channel" communications through the

Central Intelligence Agency with two members of the National Security Council staff.

Other Cabinet Members

Caspar W. Weinberger, the Secretary of Defense, says he was "horrified" when he learned Nov. 24 that the contras had received money from the sale of American arms to Iran. The transfer of funds, he says, was a "totally wrong thing to do."

Aides say he opposed the decision to ship arms to Iran, which, according to Mr. Weinberger, is ruled by "some lunatics." He says he has known since January of the arms sales. The weapons were taken from Defense Department stockpiles and transferred to the Central Intelligence Agency, which reimbursed the Pentagon, according to Mr. Weinberger.

Vice President Bush says he supported President Reagan's efforts to "open a channel to Iran" by secretly selling American weapons to Tehran. But he says, "I was not aware of and I oppose any diversion of funds" from those sales to the Nicaraguan rebels.

"Clearly, mistakes were made," Mr. Bush said Dec. 3, before Mr. Reagan had explicitly admitted mistakes.

Mr. Bush, a former Director of Central Intelligence, has acknowledged meeting twice this year with Felix Rodriguez, a C.I.A. veteran identified as a leader of efforts to supply the Nicaraguan rebels. Mr. Bush's national security adviser, Donald P. Gregg, a former C.I.A. officer, had ties to Mr. Rodriguez, who used the alias Max Gomez.

The Vice President denies that he had any role in supervising the program to resupply the anti-Sandinista rebels. The scandal could damage his chances of winning the Presidential nomination in 1988.

The Key Players Robert C. McFarlane

Robert C. McFarlane, a former national security adviser, has often been described as the architect of the policy under which arms were sent to Iran in an effort to free the hostages held by pro-Iranian extremists in Lebanon.

With instructions from President Reagan to "open a dialogue," he secretly visited Iran in May, arriving on a plane carrying American weapons. He held four days of talks but left without securing the hostages' release.

On the trip to Iran, Mr. McFarlane says, he learned from Colonel North, the Security Council staff member, that "the U.S. Government had applied part of the proceeds" from the Iranian arms sales "to support the contras." This was five months after Mr. McFarlane had left the Government. His account appears to contradict statements by Attorney General Meese, who said that "no American person actually handled" or controlled "any of the funds that went to the forces in Central America."

John M. Poindexter

Vice Adm. John M. Poindexter had succeeded Mr. McFarlane and was serving as national security adviser when money

from the Iranian arms sales was sent through a Swiss bank account to the Nicaraguan rebels.

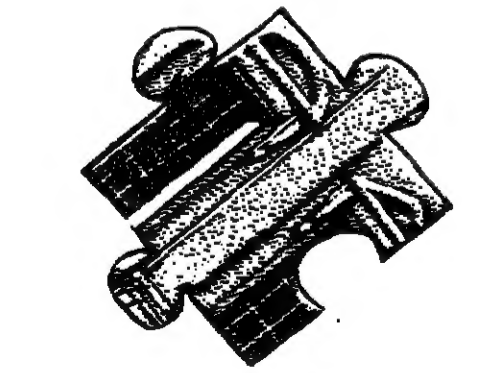
Though President Reagan said Admiral Poindexter was "not directly involved" in the diversion of funds, the national security adviser resigned on Nov. 25.

Admiral Poindexter has refused to answer questions before Congressional committees, invoking his constitutional right to avoid self-incrimination. He has not disclosed whether he approved the funneling of money from the Iranian arms sales to the contras. Attorney General Meese said, "Admiral Poindexter did know that something of this nature was occurring, but he did not look into it further."

Oliver L. North

Lieut. Col. Oliver L. North of the Marine Corps was dismissed from his job at the National Security Council Nov. 25. Attorney General Meese said the colonel was the only person in the United States Government who "knew precisely" about the diversion of money to the contras.

Colonel North has refused to answer



questions at Congressional hearings, citing his Fifth Amendment right to avoid self-incrimination. The colonel is the only person named in the Justice Department's request for an independent counsel to investigate the affair. The United States has informed Switzerland that Colonel North is under criminal investigation.

But President Reagan has described Colonel North as "a national hero." And Patrick J. Buchanan, the White House communications director, said: "If Colonel North broke any rules, he will stand up and take it like the fighting marine he is. But I say, if Colonel North ripped off the Ayatollah and took \$30 million and gave it to the contras, then God bless Colonel North."

For several years, the colonel had been known as the coordinator of private efforts to assist the contras when Congress had prohibited or restricted aid from the United States Government. Colonel North was also reported to be giving advice on military tactics to the Nicaraguan rebels.

Viewed as a man of action, he helped plan the 1983 invasion of Grenada and helped arrange the capture of terrorists linked to the hijacking of the Achille Lauro cruise ship last year.

The Agencies The C.I.A.

William J. Casey, the Director of Central Intelligence, says the agency acted as a "facilitator" for the arms sales to Iran at

the request of Colonel North. Mr. Casey says he learned about the diversion of money to the contras when Attorney General Meese told him about it on Nov. 24, the day before Mr. Meese made it public. Reports that he knew earlier are "utterly false," Mr. Casey says.

But he told the House Foreign Affairs Committee last week that he began to suspect potential irregularities and the possible diversion of funds after a meeting with an old friend and former legal client, Roy M. Furmark, on Oct. 7.

Mr. Furmark, a New York oil trader and energy consultant, knew about the shipment of American arms to Tehran. He informed Mr. Casey that a group of Canadian investors, who had financed some of the shipments, was threatening to take legal action because the Iranians had not made a promised payment or some of the money had been diverted.

The C.I.A. may also have had a role in setting up Swiss bank accounts used for the Iran arms sales and for assistance to the Nicaraguan rebels. Former C.I.A. operatives have provided extensive assistance to the contras.

The N.S.C.

The National Security Council was established by law in 1947 to help coordinate domestic, foreign and military policies relating to national security. The members are President Reagan, Vice President Bush, Secretary of State Shultz and Defense Secretary Weinberger. In addition, Attorney General Meese regularly attends meetings.

The council, as envisioned by Congress, was to advise the President. It has a staff of 100 people, including 50 professionals headed by the national security adviser. They were not meant to carry out clandestine operations, as they did in arranging arms sales to Iran.

Mr. Casey, the Director of Central Intelligence, and Adm. William J. Crowe Jr., chairman of the Joint Chiefs of Staff, are official advisers to the council.

President Reagan selected Frank C. Carlucci to be his national security adviser after Admiral Poindexter resigned. Mr. Carlucci has been Deputy Director of Central Intelligence and Deputy Secretary of Defense.

The Weapons

Administration officials say two types of weapons were sent to Iran: 2,008 TOW antitank missiles — the acronym stands for tube-launched, optically tracked, wire-guided — and parts for batteries of Hawk antiaircraft missiles.

President Reagan has said he authorized the shipment of only "small amounts of defensive weapons" that could not affect the military balance between Iran and Iraq. But military experts say the weapons could inflict serious damage on Iraqi forces and could influence the course of the war.

The TOW, they said, would be highly effective against tanks used by the Iraqi army. The Hawk surface-to-air missile has proved effective against Iraqi aircraft. Both types of weapons were included in the shipments arranged through the Israelis.

The Story Thus Far: Assembling the Puzzle

A Dizzying Cast and A Confusion of Leads

Continued From Page 1

and in the direct shipments by the United States.

The Money

Administration officials say the Central Intelligence Agency paid the Defense Department \$12 million for the weapons sent to Iran. But the weapons were apparently sold to the Iranians for much more than that. Attorney General Meese says the Iranian payments were split, with \$12 million going to the United States Government and from \$10 million to \$30 million being diverted to the Contras through a Swiss bank account. However, the Contras say they did not control any Swiss bank accounts and did not receive anything approaching this amount of money.

It is not clear who else may have received some of the money. American officials say some may have been used to support insurgents fighting Communist regimes in Afghanistan or other countries. It is not clear how much may have been skimmed off by international arms dealers or middlemen.

The Israelis

Israeli officials say they shipped weapons to Iran in 1985 at the request of the United States Government, and with its approval. American officials consistently spoke of shipments through a "third country" until Nov. 25, when Attorney General Meese identified Israel as the middleman.

Israeli officials say they did not know that some of the payments for the arms were diverted to the Nicaraguan rebels. "If such a transaction took place, it had nothing to do with Israel, and the Government of Israel had no knowledge of it," the Israeli Government said. Prime Minister Yitzhak Shamir insists that "Israel has never helped the Contras."

Israelis have angrily denied American suggestions that they overcharged the Iranians and deposited the extra money in bank accounts controlled by the Contras. Foreign Minister Shimon Peres said, "We did not make a penny" on the sales. Many Israelis fear the affair will adversely affect relations with the United States.

The Middlemen

Al Schwimmer: Israeli arms dealer, founding president of Israel Aircraft Industries, helped work out arrangements for shipments of American arms to Iran.

Yaacov Nimrodi: Israeli arms dealer, former military attaché at the Israeli Embassy in Teheran; helped arrange shipments of American arms to Iran before the release of the Rev. Benjamin F. Weir in September 1985. Denies making any profits from the shipments.

Mamucher Ghorbanifar: Expatriate Iranian businessman, arms dealer; served as middleman in shipments of American weapons to Iran, met secretly in London with Mr. McFarlane, then national security adviser, in December 1985. Says, "I didn't make a penny" from the shipments.

Adnan M. Khashoggi: Saudi Arabian billionaire, arms dealer and businessman; brought together Mr. Nimrodi, Mr. Schwimmer and Mr. Ghorbanifar and

The Canadians

Speculation about a so-called Canadian connection centers on Donald Fraser and Ernest Miller, Toronto businessmen. They are said to be business associates of Mr. Khashoggi and to have invested with him in the Iranian arms deal.

When Mr. Casey testified last week before the House Foreign Affairs Committee, the session was closed. But he was reported to have said that the Canadian investors in the arms deal complained about not having been reimbursed and said they feared their money had been diverted to the Nicaraguan rebels. Mr. Casey is said to have testified that their complaint led to his first knowledge of the diversion of funds.

On Friday, the Canadian Government ordered the Royal Canadian Mounted Police to investigate. Neither Mr. Miller nor Mr. Fraser could be reached for comment.

The Hostages

Dead or missing

William Buckley: First identified as a political officer at the United States Embassy in Beirut, later described as Beirut station chief for the Central Intelligence Agency. Kidnapped March 16, 1984. Islamic Holy War said in October 1985 that it had killed him in retaliation for an Israeli air strike on the headquarters of the Palestine Liberation Organization.

Peter Kilburn: A librarian at the American University of Beirut. Disappeared Dec. 3, 1984. Killed in April 1986 after the American bombing of Libya that month.

Still held

Terry A. Anderson: Chief Middle East correspondent for The Associated Press. Kidnapped March 16, 1985.

Thomas M. Sutherland: Dean of agriculture at the American University of Beirut. Kidnapped June 9, 1985.

Frank Herbert Reed: Director of the privately owned Lebanese International School in Moslem West Beirut. Seized Sept. 9, 1986.

Joseph James Cicippio: Chief accountant for the American University of Beirut. Kidnapped Sept. 12, 1986.

Edward Austin Tracy: Poet and author of children's books. Seized Oct. 21, 1986, according to a group calling itself the Revolutionary Justice Organization. The group said he was an intelligence agent working for the United States and Israel, but this was not confirmed.

Released

The Rev. Benjamin F. Weir: A Presbyterian minister. Abducted May 8, 1984. Released Sept. 14, 1985, after shipment of American weapons to Iran through Israel.

The Rev. Lawrence Martin Jenco: A Roman Catholic priest and head of the Beirut office of Catholic Relief Services. Kidnapped Jan. 8, 1985. Released July 26, 1986.

David P. Jacobsen: Director of the American University Hospital in Beirut. Kidnapped May 28, 1985. Released Nov. 2, 1986, after shipment of American weapons to Iran.

The Contras

President Reagan has described the guerrillas fighting the leftist Government of Nicaragua as "freedom fighters," and he has continually sought ways to assist them.

Congress has tried to limit or restrict American aid almost from the beginning of the assistance program. Administration officials first told Congressional intelligence committees in December 1981 about Mr. Reagan's secret decision to channel money and arms to Nicaraguan exiles through the Central Intelligence Agency.

In October 1984, Congress barred the C.I.A., the Defense Department and "any other agency or entity" of the United States Government, from "supporting, directly or indirectly, military or paramilitary operations in Nicaragua."

In 1985, Mr. Reagan established an office in the State Department to send nonlethal assistance to the rebels, who are known as Contras. The General Accounting Office, an investigative arm of Congress, said that much of the humanitarian aid could not be fully traced or verified. Colonel North of the National Security Council helped coordinate private assistance for the Contras.

Congress lifted the ban on military assistance this year. In October, President Reagan signed legal papers to resume the flow of weapons, ammunition and other military supplies to the rebels, but the earlier diversion of money to the Contras from the Iran arms sales might well have been illegal.

The Law

Investigators are trying to determine whether any of these laws were violated:

1 Criminal laws prohibiting conspiracy to



Being sworn in at hearings of the House Foreign Affairs Committee last week were, from the top: Vice Adm. John M. Poindexter, Robert C. McFarlane, Lieut. Col. Oliver L. North and Secretary of State George P. Shultz.

defraud the United States Government.

2 The basic Federal criminal fraud statute that applies "in any matter within the jurisdiction" of the Federal Government.

3 The Arms Export Control Act, which prohibits military assistance to any country that supports international terrorism.

4 The Boland Amendment, which prohibited Federal agencies from providing military aid, directly or indirectly, to the Nicaraguan rebels between October 1984 and October 1986.

5 The National Security Act of 1947, which requires that Congress be notified of any covert foreign operation conducted by an American intelligence agency. If prior notice is not feasible, lawmakers are supposed to be informed "in a timely fashion."

6 The Antideficiency Act, which prohibits Government employees from spending money beyond the amounts appropriated by Congress. Federal officials may not shift funds from one appropriation to another or spend money for an unauthorized purpose.

7 The Export Administration Act, which generally prohibits the sale of goods to countries engaged in state-sponsored terrorism.

The Outlook

Closed hearings have been held by the Senate and House committees on intelligence, and open hearings have been held by the House Committee on Foreign Affairs.

The Senate and House plan to consolidate their investigations under separate Watergate-style committees soon after the 100th Congress convenes in January. The House panel will have 15 members; the Senate panel, 11; both will have Democratic majorities.

On Nov. 26, President Reagan appointed a three-member commission to investigate the role of the National Security Council

staff. The panel is headed by former Senator John G. Tower, a Texas Republican who served as chairman of the Armed Services Committee. The other members are former Senator Edmund S. Muskie, a Democrat who served as Secretary of State in the Carter Administration, and Brent Scowcroft, who was national security adviser under President Ford and now works with Henry A. Kissinger in an international consulting concern.

Attorney General Meese has asked for an independent counsel to investigate the sale of arms to Iran and the diversion of profits to the Contras. The counsel, to be appointed by a panel of three Federal judges, will probably be given broad authority to prosecute Government officials, former officials and private citizens.

Two key witnesses, Colonel North and Admiral Poindexter, have refused to answer questions at Congressional hearings, invoking their Fifth Amendment privilege against self-incrimination. However, Congressional committees, like Federal prosecutors, may obtain court orders granting witnesses partial immunity from prosecution. A witness who receives such immunity must respond fully to all questions or face imprisonment for contempt.

Immunity shields the witness from prosecution based directly or indirectly on his testimony. The witness may still be prosecuted if the Government can show that it obtained evidence of a crime from other sources.

It is possible that, at some point in the investigations, the President might assert executive privilege, withholding information from Congress or the courts to protect national security or to guard the confidentiality of Executive Branch deliberations. If executive privilege was asserted, there would probably be negotiations. The issue might ultimately have to be resolved in a court.

Basic Questions

Disclosures Are Burying Key Issues

By DAVID K. SHIPLER

WASHINGTON
PRESIDENT REAGAN'S initial strategy for containing the damage after the disclosures of Iranian arms deals seemed to be collapsing last week.

The former Presidential aides who ran the Iran operation — Vice Adm. John M. Poindexter, the former national security adviser, and Lieut. Col. Oliver L. North — stood on their Constitutional rights, the Fifth Amendment protection against possible self-incrimination. They declined, in televised Congressional hearings, to discuss the weapons sales or the alleged diversion of profits to the Contras, the Nicaraguan rebels. Two other White House aides declined to answer questions in a closed hearing. Bob Dole, the Republican leader in the Senate, insisted they should tell what they knew, "above all, whether the President did, or authorized, anything illegal or improper." Larry Speakes, the President's spokesman, then said Mr. Reagan, who had been defending Admiral Poindexter and Colonel North, now believed that they should "tell the full story" to Congress.

And some of the President's closest advisers, including Nancy Reagan and Michael K. Deaver, were said to be calling for the resignation of Donald R. Regan, the White House chief of staff.

The President consulted veterans of former Administrations and then tried to shift attention, saying he planned to get on "with the business of governing." The White House announced that policy moves were under study on agriculture, the budget, health, the environment and energy.

The weapons-hostages-contras scheme emerged as an exotic scandal with former officials cloaked in the mantle of White House authority, unsavory and high-living millionaires dealing in weapons and diplomacy, policy-makers chasing illusions of moderation in Iran and key Administration figures keeping their colleagues and Congress in the dark.

But it also raised questions of principle that were sometimes hard to keep in focus through the thicket of revelations.

A prime issue was the public's right, through Congress, to shape national policy. At the time of the deal, Congress had barred money to arm the Nicaraguan rebels. It would certainly have opposed shipping military equipment to Iran in exchange for American hostages. Another issue was the integrity of Washington's diplomacy. As the National Security Council was sending arms to Iran, the State Department was pressing friendly governments, including its European allies, not to do so. Even after Secretary of State George P. Shultz had evidence of such arms deliveries, he was telling Persian Gulf foreign ministers on Oct. 1, "We have intensified our efforts to discourage our friends from selling arms to Iran." A third issue was the privatization of foreign policy and intelligence, in which nongovernmental figures, sympathetic to policies that had little Congressional or public support, evidently evaded official restrictions.

Questions About Casey

William J. Casey, the Director of Central Intelligence, also came under closer scrutiny after The New York Times reported that the C.I.A. had originated the plan to keep word of the arms sales from Congress. Mr. Casey was said to have learned about the diversion of funds to the Contras in October, a month before Attorney General Edwin Meese 3d discovered it. The C.I.A. chief reportedly raised the matter with Admiral Poindexter, the national security adviser at the time. Why Mr. Casey did not also alert the President is unknown.

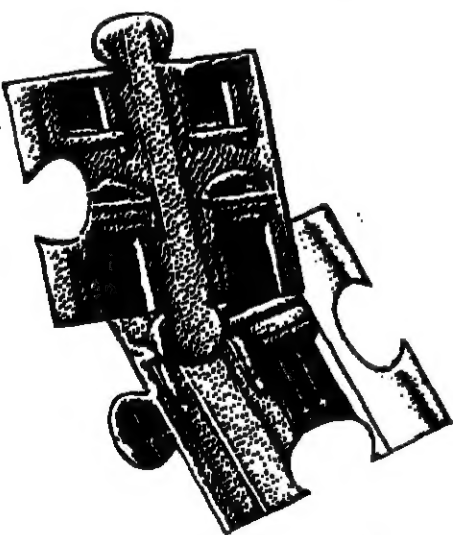
To guard against exposure, the National Security Council used classic clandestine methods of compartmentalizing information. The leading Middle East specialist in the N.S.C., Dennis Ross, was not told, according to an Administration official. The Ambassador in Beirut, John H. Kelly, was instructed to communicate directly with the N.S.C. without informing Secretary Shultz. Mr. Shultz, obviously annoyed, summoned Mr. Kelly home last week.

Potential for Damage

Behind these intricacies, some saw a potential for damage to the Presidency and Mr. Reagan. It was he, after all, who had likened the Contras to the Founding Fathers, who inspired his staff with a vision of democratization in the hemisphere and a specter of spreading Soviet domination if the "freedom fighters" were not aided. His people encouraged private donors to help the Contras.

There were questions, usually raised by Democrats, as to Mr. Reagan's conduct of the affairs of state. "When I was President, this would have been impossible," replied Jimmy Carter, when asked on CBS News if Admiral Poindexter and Colonel North could have acted without higher approval. "But I was much more aware of specific details of foreign policy and defense than apparently President Reagan has been." The inference was damaging. Indeed, Mr. Reagan's approval rating has dropped sharply in the polls.

But there seemed to be no blood lust to "get" Mr. Reagan, no wish to see yet another President leave office in disgrace. "This nation does not want and does not need another destroyed Presidency," Senator Daniel Patrick Moynihan, Democrat of New York, said two weeks ago. "We want you to save your Presidency, our Presidency." That sentiment remained strong last week on Capitol Hill.

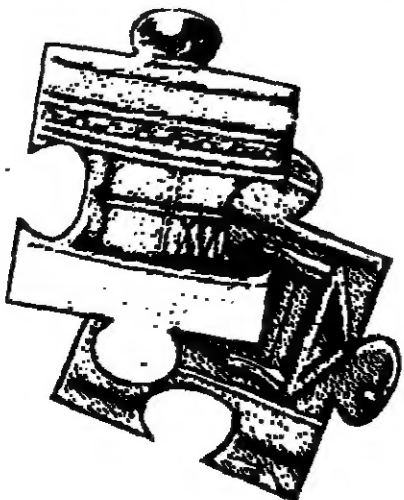


helped arrange and finance shipments of weapons to Iran. Says he was not acting directly or indirectly for the Saudi Government.

Maj. Gen. Richard V. Secord: Retired American Air Force officer; was involved in a secret network supplying aid to Nicaraguan rebels and was a central figure in sale of arms to Iran. From 1975 to 1978, the head of an Air Force military assistance group in Iran. Served in the Reagan Administration from 1981 to 1983 as a deputy assistant secretary of defense, worked with Colonel North in urging Congress to approve the sale of A-6s to Saudi Arabia. Swiss officials said the United States had informed them that Mr. Secord was under criminal investigation in connection with Swiss bank accounts that may have been used to funnel aid to the Contras.

Albert Hakim: Iranian-born arms dealer, now a naturalized American citizen, partner of Mr. Secord in a company that deals in military equipment. Believed to have provided financial expertise for secret network that delivered arms to Iran and private assistance to Nicaraguan rebels. Neither he nor his lawyer has been willing to discuss these activities.

Michael A. Ledeen: Consultant to the National Security Council, involved in the Reagan Administration's early efforts to explore the possibility of better relations with Iran; in mid-1985, sent to Israel by Mr. McFarlane to discuss the idea; later met with an Iranian intermediary, Mr. Ghorbanifar, who was said to have been suggested by Israelis.



The World



A vendor in Johannesburg reading reports of press curbs announced by South African Government.

South Africa Shuts the Door on News Of Dissent

South Africa has been trying for months to put a lid on dissent, but protests, which officials describe as part of a "revolutionary onslaught," have continued. Last week, harsh penalties were announced for an expanded list of activities deemed subversive and censorship was imposed on reporting of dissent and Government countermeasures.

President P.W. Botha accused the African National Congress and the Communist Party of planning violence this week. He said the crackdown was aimed at them.

Among the first people detained were Zwelakhe Sisulu, a former Nelson Mandela fellow at Harvard and editor of New Nation, a church-sponsored newspaper, and several leaders of a campaign against white educational policy.

The regulations set maximum penalties — \$9,000 in fines and 10 years in prison — for opposing the Government's six-month-old emergency decree; participating in consumer, rent, school or other boycotts; establishing community self-governing committees or campaigning against the military conscription of whites.

The censor's approval is required for news reports of political strikes, boycotts, violence and actions of the security forces, including the black auxiliary police recently sent into the townships. Unauthorized photographs of security actions or unrest, including bodies and damaged property, are illegal.

Since September 1984, 22,000 people, including hundreds of children and teen-agers, have been detained without charges for varying periods, and 2,300 people — nearly all of them black — have died in township violence. Periodic strikes have temporarily shut down mines and factories, and boycotts have been organized against white-owned stores, housing rents, bus lines and high school classes.

Violence in Paris Blocks Reforms

After three weeks of large and sometimes violent demonstrations in the streets of Paris, the French Government gave in last week to student protests against a proposed reform of the national university system.

The Government of Prime Minister Jacques Chirac wanted reforms that would have given individual schools more authority to select students; under the existing system, any student with a secondary school diploma, the baccalauréat, is guaranteed university admission.

The Government said it wanted to improve the schools by making them more competitive. Many students believed the change would reduce the number of university students and graduates at a time when unemployment is a serious problem.

The demonstrations became violent last weekend after one student

died of a heart attack when he was beaten by security police. In the Latin Quarter, at least 20 shop windows were smashed and 20 parked cars burned. Scores of demonstrators and policemen were injured. There were more than two dozen arrests.

On Wednesday, after the Government announced that it would abandon the reform, there was a peaceful demonstration by crowds estimated at between 120,000 and 500,000.

Political analysts said that Mr. Chirac and his conservative Government had lost considerable public support. President François Mitterrand, a Socialist, was said to have gained. The two leaders are considered possible opponents in the 1988 presidential election.

The Opposition in Taiwan Does Well

Taiwan voters got a tentative taste of two-party politics last weekend after 37 years of rule by Chiang Kai-shek and his heirs. A new opposition party, the Democratic Progressives, made a surprisingly strong showing in legislative elections against the Kuomintang, which has ruled since the Communists drove Chiang from the Chinese mainland in 1949.

The top four vote-getters were Democratic Progressives. The party received 23 percent of the nationwide vote and more than 30 percent in Taipei and Kaohsiung, the largest cities on the island of 19 million people. The Kuomintang got 63 percent, with the rest going to independents and pro-Government parties.

The two-month-old Democratic Progressive Party, although permitted to campaign, was technically illegal. Its officials contended that they were treated unfairly by the Government-controlled news outlets. One opposition figure, Hsu Hsinliang, was refused entry when he tried to return from exile. His brother, Hsu Kuo-tai, ran as a Democratic Progressive and was elected.

The opposition party won 12 seats in Parliament and 11 in the National Assembly. Both bodies have only limited powers. They are dominated by Kuomintang members with life tenure.

West Bank Arabs Protest Shootings

Young Arabs in the West Bank and Gaza staged angry demonstrations and threw stones at Israeli soldiers last week. The soldiers struck back with tear gas and occasional bullets.

Tensions rose after soldiers shot and killed two Palestinian students Dec. 4 at Bir Zeit University, 30 miles north of Jerusalem. The next day, a 14-year-old boy was killed during demonstrations at Balata, a Palestinian district near the West Bank city of Nablus.

At least 25 people were wounded in six days of demonstrations. Many Arab shops closed, and youths erected barricades, burned tires and threw stones at Israeli cars.

Israeli authorities ordered a curfew at Balata and reinforced army units. A Palestinian editor, Ibrahim Kareem, said young Arabs were excited by reports of the recent heavy fighting in Lebanon, where Palestinian guerrillas seem to be regaining the military bases they lost in the 1982 Israeli invasion. Local leaders said most of the demonstrators were teen-agers.

The atmosphere has also been poisoned by Arab attacks on Jews in the Jerusalem area. Jewish residents demonstrated against Arabs last month after a young Israeli seminary student was stabbed to death. Last week, an elderly Israeli was stabbed near the entrance to the old walled city of Jerusalem.

James F. Clarity
and Milt Freudenheim

Correction

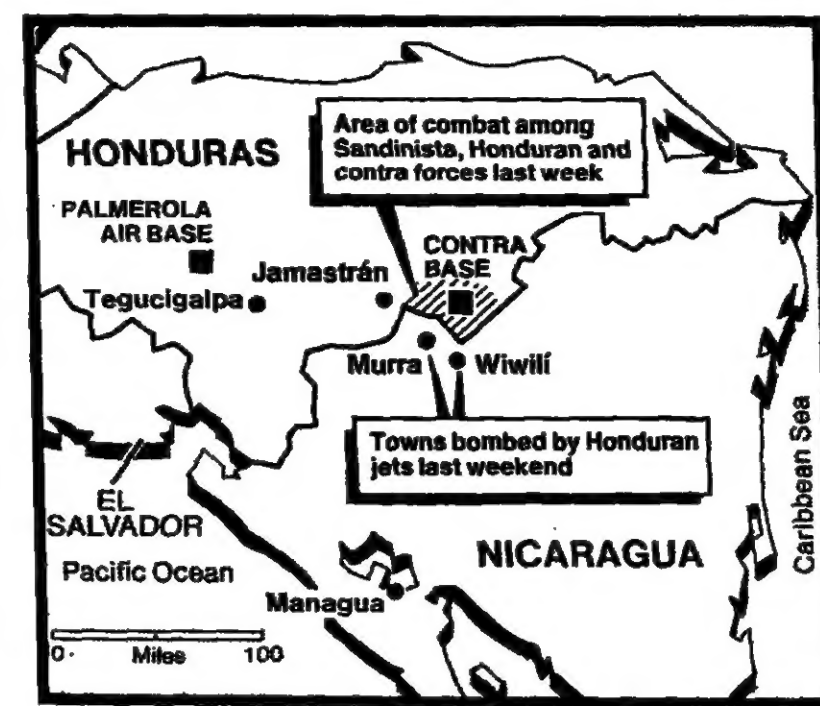
The source of part of the information in a graph in *The Week in Review* Dec. 7, reporting on President Reagan's approval ratings, was omitted. The data came from New York Times/CBS News polls and New York Times polls.

Honduras and Nicaragua Are 'Natural Enemies'

A Clash That's No Longer Rhetorical



Honduran soldiers searching for Sandinista troops last week near the Nicaraguan border.



By STEPHEN KINZER

MANAGUA, Nicaragua
THE Honduran and Nicaraguan military have much to disagree about. The Honduran officer corps is traditional, conservative and, above all, anti-Communist. Across the border, it faces Marxist revolutionaries dedicated to class struggle and radical social change. Honduran military power depends on weapons from the United States, while Nicaraguan hardware comes from Cuba and the Soviet bloc. Each ruling group would be happy to see the other overthrown. "They are natural enemies," a Latin American diplomat said.

The conflict was mostly rhetorical until early this year, when Sandinista leaders sensed an opportunity to try to cripple the contra rebels. Nicaraguan army units went into Honduras, attacking contra camps and Honduran heavy-artillery emplacements. In March, Nicaragua launched a large operation in Honduras, bringing loud protests from Tegucigalpa but no concrete retaliation. Last Sunday, however, after another substantial Nicaraguan incursion, Honduran troops were flown to the border area in nine United States helicopters. And Honduran planes struck inside Nicaragua for the first time.

"You can turn a blind eye or accept conflicting

tapered off, and most of the 1,000 or more Sandinista troops who took part have reportedly returned to Nicaragua. But the retreat was not quick enough for Honduran officers, who concluded that they were being humiliated by the continuing cross-border raids. With the pro forma approval of the elected President, José Azcona Hoyo, they sent A-37 Dragonfly fighters to bomb two posts in northern Nicaragua. One was an airstrip at Wiwili, which they missed entirely. The other was said to be an artillery battery near Murra; seven Sandinista soldiers were reported to have been killed.

The Honduran army has always had mixed feelings about the contras. Officers support the anti-Communist cause viscerally but are uncomfortable at the prospect of having the contras in Honduras indefinitely. "We want them inside Nicaragua as quickly as they can go," said a Honduran Foreign Ministry official. But the contras have yet to show that they can overcome Sandinista military superiority and leave Honduras. However, the introduction of Honduran air power, albeit largely symbolic, was a success for the contras and their United States backers; it suggested that Honduras may become a more active ally against the Sandinistas.

The Nicaraguan President, Daniel Ortega Saavedra, warned Wednesday that the development was part of a "highly dangerous" escalation.

tion encouraged by the United States. He said American planners were seeking "to artificially create conditions that would permit the direct involvement of United States troops in an action or a total invasion against our country."

"We have no problem with Honduras," Mr. Ortega insisted. "Honduras will create a problem for itself if it submits to American Government pressures and maintains mercenary camps there."

Despite their shared desire to be rid of the Sandinistas, there has never been full cooperation or trust among the contras, their Honduran hosts and the Americans who finance and oversee the rebel war. The Honduran air strikes suggested that such cooperation may now be increasing.

The Hondurans hope to scare Nicaragua into calling off its cross-border forays, but this seems unlikely as long as the contras maintain bases in Honduras. If the forays continue, Honduran aircraft may again retaliate, which could lead to a break in diplomatic relations — a development that would not displease hard-liners in Washington. It hardly seemed coincidental that Honduras said last week that it would be "renewing its air force," already the most powerful in the area, by purchasing modern fighter jets from the United States or Israel.

Nicaragua has Soviet-made helicopters but no fighter planes. The United States has indicated that it would destroy fighter planes on the ground if they were delivered to Nicaragua. But if Nicaragua is attacked regularly from the air, potential suppliers may become more sympathetic to Nicaraguan requests.

The Sandinista incursions and Honduran air raids evoked renewed calls for mediation. Nicaragua appealed to the United Nations. Foreign ministers from the eight countries backing the Contadora peace initiative said they would meet this week. In Washington, President Reagan moved swiftly to approve Honduran requests for helicopters to move troops nearer the border, thus showing that he had not been immobilized by the controversy over the Iran arms deal, which generated money for the contras. "Reagan showed the contras and the Hondurans that he was still with them," a diplomat here said.

'I Rule Only Through Popular Support'

Mobutu Sees Himself as Disinformation's Victim

PRESIDENT MOBUTU SESE SEKO of Zaire, who met with President Reagan at the White House last week, is one of Africa's most durable leaders, having seized power in 1965 in the former Belgian Congo. Reagan Administration officials consider the 56-year-old Mr. Mobutu an ally, and he is said to be a channel for covert American aid to Jonas Savimbi's rebels in Angola. But Zaire's economy, despite aid from the International Monetary Fund and World Bank and \$70 million a year from the United States, is in dire straits after years of mismanagement and corruption. In Washington, Serge Mukendi, a Zairean dissident, accused Mr. Mobutu of having amassed a fortune of \$5 billion, more than Zaire's \$4.5 billion foreign debt. And human rights advocates said his single-party Government had committed "gross and systematic" abuses.

During his Washington visit, President Mobutu discussed Zaire's problems with Clyde Farnsworth of The New York Times. Following are excerpts from their conversation, which was conducted in French and English.

Question. Are you one of the world's richest men? Is your wealth greater than Zaire's debt?

Answer. I cannot live outside the budget. There is one sole budget, and there is a presidential allowance fund. Where would the money come from? It's just not possible. The budget is published every year. It is known down to the last centime. The World Bank audits us. Money can only leave in regulated amounts, fixed by accord with the I.M.F. I know that we disturb people in some ways and make them unhappy, and so they do everything they can to bring me down. The person that you call Mobutu and his country are victims of disinformation. My enemies say anything to try to bring me down.

But I rule only through popular support. All the people are behind me. Human rights violations? They will say anything. But the people know the truth. I am not yet overthrown. I am here. For



President Mobutu Sese Seko of Zaire in Washington last week.

four years, the World Bank and I.M.F. have controlled everything.

Q. Have you been asked to give money to the Nicaraguan contras?

A. I don't have it to give.

Q. How close are you to Washington?

A. There are 50 independent countries on the

continent. A lot of them receive assistance from the U.S. Some appreciate it, some attack the U.S. My country is different. We get very little assistance from the U.S. Whether we do or not, we are friends.

Q. What is Zaire's regional role?

A. Zaire and all independent countries of Africa are bound by the charter of the Organization for African Unity. However, there are countries that have quite a bit of money because they have oil. And they don't seem to honor this charter. Sometimes they get militarily involved in the affairs of other countries. I think the occupation of Chad is an excellent example. Chad asked Zaire to help, and we sent 3,000 men to Chad at two different times. Obviously, this was costly. We had to send them Coca-Cola and water by air. We also trained troops from Chad in Zaire.

We don't expect thanks necessarily, but our allies should consider the fact that we actually did something like this, simply because we do not accept what Libya is doing. Don't forget that Zaire was the first country in Africa to establish normal diplomatic relations with Israel. So you can see why Zaire is a target of Qaddafi.

Savimbi Connection?

Q. Do American military supplies go through Zaire to Savimbi in Angola?

A. It's simply not true.

Q. Do you expect United States help with the I.M.F.?

A. President Reagan, in front of the press, made a formal promise to that effect. First there must be a commitment to continue the I.M.F. program. We don't want to continue on the path that almost led to catastrophe.

Q. What went wrong?

A. We did a perfect job with our commitments for four years. The results have been very negative for our people, but quite positive for the wealthy countries. In other words, Zaire is a net exporter of capital. We have given back more than we actually received to begin with. Zaire will still honor its commitments, but it will no longer be an exporter of capital.

In 1986, Zaire paid out \$500 million to the international banking and financial community through the I.M.F. However, the international financial community did not give one dollar to Zaire.

Seven African countries have experienced food riots in which people died.

In Zaire, because of decisions between us and the I.M.F., there have been sacrifices, but no riots and no bloodshed.



French Prime Minister Jacques Chirac

The Nation

Reagan Receives A Welfare Plan; More to Come

Though official after official declared there was no attempt to divert attention from the Iran crisis in last week's announcement of a sweeping series of domestic policy initiatives, President Reagan's own, language invited the connection. "We cannot and will not let this stop us from getting on with the business of governing," Mr. Reagan told a group of state legislators at the Old Executive Office Building.

In the White House briefing room, Larry Speakes, the Presidential spokesman, explained that the business will include Presidential reviews of policy in the areas of international competitiveness, agriculture, the Federal budget process, insider trading on Wall Street and the environment and energy, all part of what he characterized as the normal preparation for January's State of the Union address.

In his 1986 address, Mr. Reagan asked for reports on catastrophic health insurance, welfare and the family. Last week, Charles D. Hobbs, his chief adviser on domestic policy, outlined recommendations for major change in the Federal welfare system. They were intended, he said, to reduce not the deficit but dependency on Government assistance.

Under the Administration plan, the states could take the money from any of 59 programs, including those for Aid to Families with Dependent Children, housing assistance, school lunches, Medicaid and job training, and use it for innovative experiments to lift people out of poverty. Washington spent \$132 billion on the 59 programs in the 1985 fiscal year.

According to Mr. Hobbs, the Administration envisions several hundred "demonstration projects" meeting 10 "policy goals." One is to require able-bodied welfare recipients to find jobs. Another is to require recipients to "take greater responsibility for managing their resources," by, for example, providing poor people with cash instead of food stamps or Medicaid.

The one contest was for the No. 3 position. In the first House election for majority whip, Tony Coelho of California won comfortably over Charles B. Rangel of New York and Bill Hefner of North Carolina.

As chairman of the Democratic Congressional Campaign Committee, which raises money and provides advice for candidates, Mr. Coelho started running hard two years ago for the 167 votes he took on the first ballot last week.

Mr. Rangel, a member of the Ways and Means Committee who would have been the first black in the leadership, won 78 votes, Mr. Hefner 15.

The Democratic caucus decided in 1984 to open the whip's job to election — formerly it was appointive — because it had become a stepping stone to higher position.

Hanford Closes For Upgrading

Among the aging facilities used by the United States Government to make raw material for nuclear weapons and fuel for submarines, the plutonium production reactor at the Hanford nuclear reservation in Richland, Wash., is one of the most powerful and troubled. For national security reasons it cannot be shut down permanently, the Energy Department asserted last week, but it will be closed for a \$50 million upgrading, to start up in six months under a new contractor.

The 23-year-old plant, code-named the N Reactor, drew new attention after the Chernobyl explosion April 26. Like the Soviet nuclear power plant, and unlike commercial reactors in the United States, it uses graphite in its core. Like the Soviet plant, it lacks another standard feature of American nuclear plants, a concrete-and-steel structure designed to contain radiation in case of accident.

According to the Energy Department, a panel of six independent consultants appointed after the explosion in the Ukraine "confirmed that a Chernobyl-type accident is not plausible at the N reactor." They also said, however, that safe operation past 1990 was unlikely.

The shutdown announced last week is for "accelerating" the plant's modernization, the Department said. The improvements will include additions to the emergency core cooling system. But, the Department said, ending the practice of discharging radioactive waste into the ground cannot be completed in six months.

White House Pulls Back on Forecast

"It isn't gangbusters," Beryl W. Sprinkel, chairman of the Council of Economic Advisers, said last week of the White House's revised forecast for 1987. "It isn't as big growth as you wish you could see. But it's going to be pretty good."

In an Administration noted for a cheery view of where the economy will be going, the comment was uncharacteristically modest. The rate of growth Mr. Sprinkel predicted for the economy next year — a relatively healthy 3.2 percent — was a full percentage point lower than the official projection only four months ago. And while it was higher than most private estimates, it falls within the range of plausibility.

Still, the forecast of 3.2 percent growth in the gross national product is far more robust than the 2.4 percent expected for 1986, and some economists — and members of Congress — are skeptical.

For one thing, the White House calculations are based on the assumption that the Federal deficit will be brought down to \$108 billion, the goal set for the next fiscal year by the new balanced budget law. For another, the size of the trade deficit, which this year is expected to exceed 1985's record \$148 billion, remains a matter of great uncertainty. The nation's merchandise trade deficit from July to September, reported last week, totaled \$37.7 billion, the largest three-month imbalance ever.

Caroline Rand Herron and Martha A. Miles

Verbatim: Tax Revisionism

'One of the fairest ways to increase revenue will be to delay the tax-rate reductions for the wealthiest — families earning more than \$150,000.'

Representative Jim Wright

Democrat of Texas, who will become Speaker of the House in January, discussing the need for new tax revenues.

'Tax reform is a bargain. People give up their loopholes in order to get low rates.'

Senator Bill Bradley

Democrat of New Jersey and an architect of the new tax law.

Program Aimed at Young Males Cuts Trash 29 Percent

Texas Is Taking a Swat at Litterbugs



Sign on a trash can along a road near Midland, Tex., part of campaign to clean up roadside litter.

By ROBERT REINHOLD

HOUSTON
CHECK out the latest pop music video to hit Texas. Here come the Fabulous Thunderbirds, a hot 50's revival group out of Austin, roaring along in a 1953 convertible:

Well you're ridin' down that highway
In your big ol' fancy car.
Got that radio a blazin',
And you're feelin' like a star.
Zoomin' down that Texas highway,
And you've got a heavy load.
Don't you trash that Texas highway.
Don't you throw it in the road.
Don't you mess with Texas.
Don't you mess with Texas.

This is an antilitter television commercial, and there are no polite entreaties in the macho message aimed squarely at those who do the most to mess up Texas roads: young "Bubbas" in pickup trucks, disposing of burger wrappers and beer bottles the easy way, out the window.

Finally, the states are beginning to make a dent in the costly roadside litter problem. Some, like Texas, concentrate on advertising. Others have recycling efforts and community-based programs paid for with tax money, such as local teen-age cleanup corps. Nine have passed laws requiring deposits on beverage cans and bottles.

According to Daniel B. Syre of the Institute for Applied Research in Sacramento, Calif., who has studied roadside trash in 16 states since 1973, fresh litter deposited in states with advanced control programs is 64 percent lower than that in states without such restrictions.

Targeting the Message

In Texas, one year after the Department of Highways and Public Transportation launched its \$2 million "Don't Mess With Texas" campaign, using roadside signs as well as broadcast advertising, litter is down 29 percent on state roads, Mr. Syre says, compared with 10 percent a year in other states with active programs.

The key to Texas' success was research showing that 70 percent of "deliberate" littering could be attributed to people under 25, most of them male. "Theads are aimed directly at him," said

Tommie Pinkard, highway department spokesman. "Before, we were preaching to the choir." The slogan "Don't Mess With Texas" has become a symbol not only of clean highways but of defiance in a proud state down economically.

The pioneer antilitter state is Washington. Since 1972, it has imposed a special tax on bottlers, fast-food operators and other litter generators. The money goes into a special account that is used to buy broadcast commercials, distribute litter bags to community groups and employ 600 teen-agers who clean up roadsides and make promotional appearances at fairs. Again, the emphasis is on young people, the most frequent culprits. According to Mr. Syre's surveys, only 243 pieces of trash are dropped along a mile of Washington state roads weekly, compared to 679 for 10 states with less ambitious controls.

Virginia has a State Division of Litter Control, financed by a tax on businesses. At least half the tax revenue goes to communities as seed money for local efforts. The rest buys radio and television time for Virginia's widely emulated antilitter advertising, the theme of which is "Start Thinking, Stop Littering."

Under the sponsorship of Keep America Beautiful, a Stamford, Conn., group supported by the packaging industry, 12 other states and 400 communities participate in an effort to change littering behavior, by, for example, educational programs designed to instill pride in neighborhoods. The group opposes deposit legislation.

Two of the nine states requiring deposits on beverage bottles and cans are Connecticut and New York. Studies in New York show the law is working miracles on both urban streets and playgrounds and upstate roads. But Mr. Syre points out that bottles and cans account for only about 10 percent of roadside trash.

Above all, litter control is a matter of psychology. The big challenge with the hard-core litterer, according to Scott Geller, a psychologist at Virginia Tech who has studied littering, is to get people to change their behavior without feeling forced. Signs threatening \$500 fines just invite defiance, he says. Russel Weigel, a psychologist at Amherst College who has studied attitudes toward the environment, adds that the message should be "vivid, personalized, concrete."

That is the Texas strategy, devised by Tim McClure, a founder of GSD&M Advertising in Austin. In addition to the Fabulous Thunderbirds, the state has commercials by the country singers Stevie Ray Vaughan and Johnny Rodriguez, the latter in Spanish and English, by Johnny De and the Rocket 88's, and by two Dallas Cowboys football players, Too-Tall Jones and Randy White.

The players are shown picking up trash. Mr. Jones steps toward the camera and says, "You see the guy who threw this out the window... you tell him I got a message for him." Mr. White steps forward with a beer can and says, "I got a message for him too..." A voice then asks, "What's that?" The player crushes the can with a powerful fist and says threateningly, "Well, I kinda need to see him to deliver it." Too-Tall Jones adds, "Don't mess with Texas."

The Caught Cooperate, Begetting Rumors



Randy Jones

Plumbing the Depths of Scandal on Wall Street

By JAMES STERNGOLD

DENNIS B. LEVINE and Ivan F. Boesky, who have settled insider trading charges with the Government, seem only to await sentencing and a chance to get on with their shattered lives. But they and their lawyers are facing another question: Will this be known as "the Levine scandal," "the Boesky scandal" or something else altogether?

The answer means a great deal to someone worried about the kind of exemplary sentence a judge might mete out to the person who has lent his name to one of the most damaging scandals in American financial history. Such considerations affect all of those charged in the affair. Thus there is a quiet battle, out of the public eye but influencing public perceptions, to present the scandal in a certain light — emphasizing one individual's role, sometimes concealing and some-

times hinting at where investigators are going.

For months after his arrest in May, Mr. Levine, who was at Drexel Burnham Lambert Inc., appeared to be the central figure in the affair. But with the announcement last month that Mr. Boesky had bought insider tips from Mr. Levine and agreed to pay \$100 million to settle the charges, attention shifted to him. Since then, investigators, defense lawyers and investment bankers have all attempted to shape the news by what they say, and do not say, to the press.

This maneuvering broke to the surface recently. Harvey L. Pitt, one of Mr. Boesky's lawyers, labeled as "disinformation" a report in The Washington Post, attributed to unnamed sources, that Mr. Boesky made incriminating videotape recordings of meetings with other Wall Street figures. The next day The Post said sources close to the investigation denied the report.

Mr. Pitt also reacted angrily to a report in The Wall Street Journal that Mr. Boesky's illicit prof-

its were not \$50 million, as the Securities and Exchange Commission had charged, but more than \$200 million. That article was countered the following day by one quoting the S.E.C.

"In these circumstances, there are people who have what I call an agenda," Mr. Pitt said. "The press is being given incorrect direction to manipulate public perceptions of my client. That is what is being done. The problem is that the press is anxious for information when not a lot of information can be made available."

Arthur Liman and Martin Flumenbaum, Mr. Levine's lawyers, declined to comment on the reports but have privately expressed irritation at articles casting their client in what they considered to be a particularly unfavorable light.

John Sturc, a senior director of enforcement at the S.E.C., said he, too, was perturbed soon after Mr. Levine's arrest to read articles suggesting that the commission was stretching its definition of insider trading. Mr. Levine, who the S.E.C. said had made \$12.6 million by trading illegally through a Bahamian bank account, initially denied the charges but later pleaded guilty.

"Between the time the case was filed and the first hearing 10 days later, there was a swing, with articles saying that we had come up with new theories," Mr. Sturc said, adding that because of commission rules he was unable to respond to the reports at that time. "The answer was that there were no new theories at all. As we suspected, it was simply a case of cash for tips."

The Government has been practically silent since announcing Mr. Boesky's settlement Nov. 14, although the S.E.C. told a Congressional committee last week that in the months before the announcement it allowed Mr. Boesky to sell hundreds of millions of dollars in stocks to help pay off the more than \$2 billion in debt he had used to build up his stock portfolio.

Guessing Game

Prosecutors and investigators have guarded the flow of information on the scandal. For instance, the United States Attorney's office in Manhattan has announced that Mr. Boesky will plead guilty to one criminal charge but has declined to say what the charge will be.

The uncertainty has raised such questions as whether Wall Street figures other than Mr. Levine have been implicated and, if so, whether they are cooperating with the Government and recording their own telephone conversations.

That strategy can be critical to an insider trading investigation, which is time-consuming and extremely costly. The S.E.C. has not seen an increase in enforcement staff in five years but has in that time faced a burgeoning and increasingly complex securities market.

So the Government always seeks a "slam dunk," as one lawyer put it, in which suspects turn themselves in and agree to cooperate. Indeed, after Mr. Levine's arrest three investment bankers and a lawyer in the case settled charges without contesting them. As John S. R. Shad, the S.E.C. chairman, said recently, even with computers that can help track questionable trading, "there's no substitute for a stool pigeon."

Defense lawyers say that, ideally, nothing would be said about their clients. "The less said publicly about my client the better," said Gary Naftalis, who represents Robert Wilkis, a former investment banker charged in the case. "When somebody leaks something about your client that's not accurate, it still affects the public and can affect a judge, especially when it gets repeated."

Standard's Bid to Regain Stature

As the Prudhoe fields decline, a new chairman bets on refining and marketing.

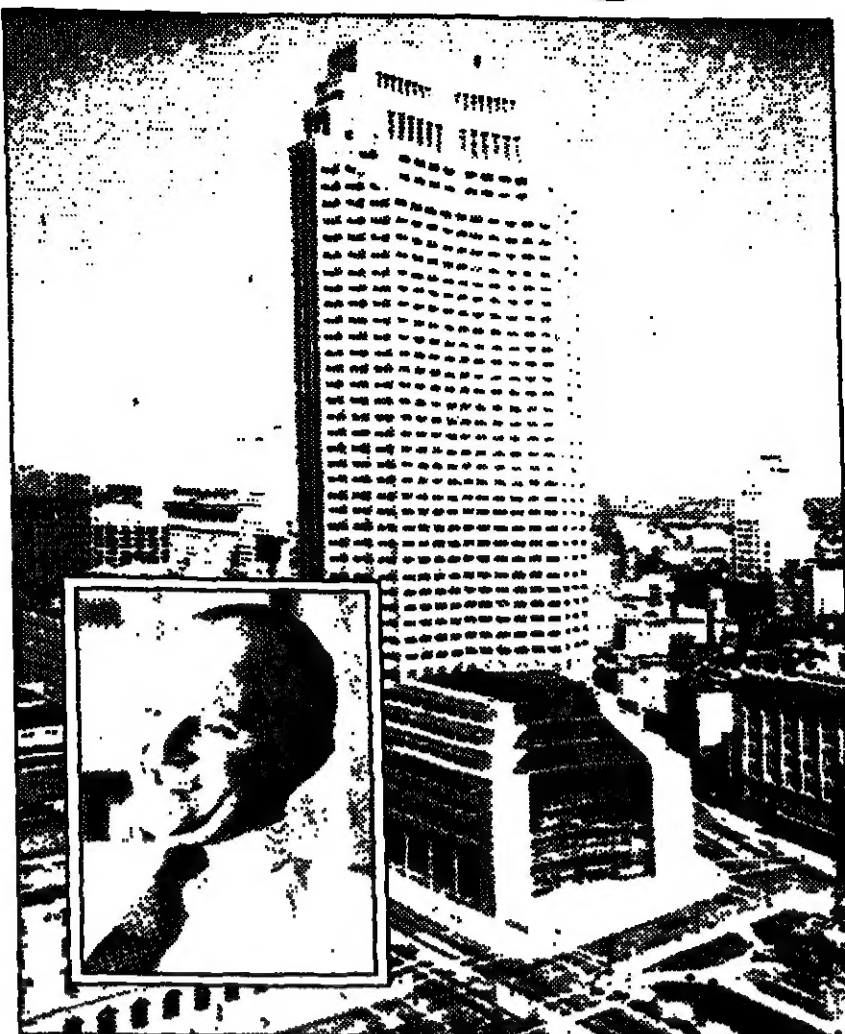
By LEE A. DANIELS

THE new, 45-story headquarters of the Standard Oil Company rises dramatically above the heart of Cleveland's downtown to scan Lake Erie and the Ohio plains — a powerful symbol of Standard's historic status as the cornerstone of the Rockefeller family fortune and, arguably, of the American oil industry.

But Standard Oil's status in the oil world, and its financial health, have slipped markedly in recent years. As the oil markets changed, and Standard failed to change with them, the company came to be perceived as a lethargic, poorly managed giant — although its stock has done relatively well, despite falling oil prices, both because of its extraordinary oil holdings and because of the supporting presence of the British Petroleum Company, which owns 55.5 percent of Standard's stock.

Still, with this year's plunge in oil prices, B.P. decided that drastic change was in order, and in February named Robert B. Horton, a 46-year-old B.P. executive, to head the Cleveland-based company. The decision was an unusual move, since Mr. Horton, a managing director of the London-based petroleum behemoth, had no previous hands-on experience in the United States oil industry.

At stake for the nation's ninth-largest oil concern are the holdings and earnings stream that put it among the front-line United States oil companies — and, not insignificantly, the pride and prestige that come from being the very first of the Standard



The Cleveland headquarters; Robert B. Horton, chairman.

major United States oil companies "the most interesting case study in corporate strategic planning for the next several years."

Mr. Petrie added that Mr. Horton's intention to devote more resources to refining and marketing, while being more discriminating about exploration activity — last spring he ordered the company's 3.6 million acres of exploration properties in the continental United States reduced by 50 percent — represented a "much more realistic assessment" of Standard's ability to explore for higher-cost domestic oil at current prices.

Mr. Horton has tried to meet the strategic planning challenge in several other ways, too, including:

- Reducing the company's 1986 capital and exploration budget to \$1.7 billion, from \$2.8 billion last year.
- Creating a task force to study whether Standard should increase its relatively small involvement in the natural gas business.
- Putting up for sale several non-oil-related businesses, including Dorr-Oliver, which makes cartridge filters, and Pfaunder, a maker of glass-lined steel reactor vessels.
- Building cash on hand to \$1.25 billion and arranging \$2 billion in committed funds and another \$3.5 billion in uncommitted monies from a worldwide group of 45 banks, in part to prepare for acquisitions.
- Strengthening Standard's refining and marketing network.
- Creating an in-house foreign exchange and commodity trading unit, to get maximum use of Standard's funds.

"He's done a good job. I don't think he's made any mistakes thus far," said Laurence E. Tween, an oil analyst for Kidder, Peabody & Company, whose overwhelmingly positive assessment is widely shared. Dillard P. Spriggs, president of Petroleum Analysis Ltd., a New York-based consulting firm, noted that Mr. Horton quickly had Standard take a

\$1.4 billion write-down in the second quarter, despite the fact that the company had just taken a \$1.86 billion write-down in the 1985 fourth quarter.

Those special charges will almost certainly result in a loss in net income for the year, E. John P. Browne, Standard's chief financial officer, told the analysts last week. For the year's first nine months, Standard lost \$376 million, or \$1.60 a share, compared with a profit of \$1.1 billion, or \$4.60 a share, for the comparable period in 1985. Excluding the special charges, Standard showed a nine-month profit this year of \$1.83 a share.

Nonetheless, Mr. Spriggs maintained that the write-downs were "the right thing to do, and done with the right timing. It got the slate clean before the company's 'old' problems became 'his' problems."

WALL STREET'S positive reaction has helped Standard's stock, which has consistently traded in the high 40's, despite slumping crude oil prices.

"I would be very surprised if we were rated alongside Exxon at the moment," said Mr. Horton, a man of medium height, with the solid build of a former rugby player. "That's rather more than one can expect. But we have been steadily supported, either as a neutral or as a buy, and I can ask no more than that."

Mr. Horton has worked hard to explain his strategy. Within a month of taking the helm, he began crisscrossing the country on an exhaustive round of meetings with employees and oil-industry analysts.

"Clearly, there was some apprehension about our intentions, about what I was going to do here," said Mr. Horton, in his clipped British accent. "I had to show our own people and others that I didn't have two horns and a tail, that I'm committed to Standard, and that Standard is committed to Cleveland and to remaining one of the strongest U.S. oil compa-

nies, no matter what oil prices do."

Mr. Horton has a lot riding on his performance at Standard. At B.P., he compiled an impressive track record in tough assignments for Sir Peter Walters, B.P.'s chairman and chief executive, that included revitalizing its chemical division and, most recently, its financial operations.

"B.P. built up a substantial horde of cash during his three years there even as oil prices were slipping," said Jack Shaughnessy of Wood, Mackenzie & Company, referring to Mr. Horton's last post. "You'd have to give him high marks."

Even before he got the Standard job, Mr. Horton was considered a potential future chairman of B.P. "If he does a good job in turning Standard around, he could well be B.P.'s next chairman," said Joel D. Fischer of Drexel Burnham Lambert Inc.

But turning around an oil company is no easy feat in the midst of the steepest, steepest decline ever in world crude oil prices. Prices fell from about \$27 a barrel in January to the single digits by August, sending ever-stronger shock waves through both the Organization of Petroleum Exporting Countries and the United States oil industry.

INDEED, analysts say that the price crash precipitated the ouster of Alton W. Whitehouse Jr., Mr. Horton's predecessor in Standard's executive suite. (See box.)

Mr. Whitehouse and John Miller, Standard's chief operating officer, were seen as helpless before the difficulties at the Kennecott Corporation, the nation's largest copper producer, which Standard bought for what was considered the high price of \$1.8 billion in 1981. Standard's mining division had not recorded a profit since Standard bought Kennecott, but largely by selling some assets, it earned \$14 million in the third quarter, compared with a \$36 million loss a year ago.

Mr. Horton this summer negotiated a crucial labor contract for Kennecott employees that he said will enable Standard to undertake a \$400 million modernization of its Bingham Canyon facilities in Utah.

Drexel Burnham's Mr. Fisher said there now exists "a certain subdued hope" that the modernization will enable Standard's copper operations to become competitive with state-owned national copper countries if copper prices turn up.

Mr. Horton was a logical candidate to run Standard since in his last B.P. post as director of corporate finance and planning for the Western Hemisphere, he, in effect, was B.P.'s overseer at Standard and sat for three years on the company's board.

But the shake-up went beyond the chairman's job. In addition to Mr. Horton, the board appointed Frank E. Mosier, Standard's executive vice president and a member of the board, as president and chief operating officer. And it placed two other senior B.P. executives in key management positions: E. John P. Browne, who had been Mr. Horton's chief lieutenant at B.P., was named chief financial officer and elected to the Standard board. And J. Colin E. Webster, 49, president of BP North America and a Standard board member, was named an executive vice president.

Oil analysts consider the new management arrangement a balanced blend of the best of Standard veterans, such as Mr. Mosier, 55, who joined Standard in 1953, and the new B.P. executives.

Mr. Browne, 38, is widely considered an innovative financial officer, and Mr. Horton is said to have insisted on bringing Mr. Browne with him to Standard. Together, the two are attempting to duplicate what they did at B.P. — squeeze every bit of profit out of the funds available.

Its growing stockpile of cash has raised expectations on Wall Street that Standard is hunting for acquisitions. Several analysts pointedly mentioned Unocal as a "good fit" for Standard, in that it would give it a West Coast refinery and a service station network that would help mitigate the transportation costs for its Alaskan crude oil production.

Despite the challenges facing Standard, many analysts predict that Mr. Horton will be successful.

"B.P. seems to turn out terrific managers with regularity," said Mr. Tween of Kidder, Peabody. "And with Horton's past record, you just have to feel they'll be able to apply some of that expertise to Standard."

The Economy

WEEK IN BUSINESS

Some New Twists In the Boesky Affair

Ivan F. Boesky paid off \$1.4 billion in debts with the S.E.C.'s knowledge just before he was charged with insider trading. The sum stunned many Wall Street traders, who had difficulty swallowing the \$400 million figure previously disclosed. The S.E.C. had said it allowed Mr. Boesky to continue to protect participants in its investment funds and to prevent a broader selloff once the news of his involvement in the scandal became known. But many traders are angry that the S.E.C. would allow such activities. The S.E.C., meanwhile, has expanded its investigation of Mr. Boesky's activities to see if and how they were tied to other investors and to Drexel Burnham Lambert.

Federal regulators acknowledged that their surveillance abilities fall short of what is required in today's markets. John J. Pheasant Jr., the chairman of the New York Stock Exchange, said that proof of improper activities is often difficult to come by. The White House is forming its own panel to examine insider laws.

The S.E.C. subpoenaed 15 officials of Shearson Lehman and General Felt Industries in an investigation of possible insider trading in buyouts of two Sheller-Globe units.

Producer prices ticked up two-tenths of 1 percent in November on increases in most commodities except food. That is an annual rate of 2.5 percent, but prices have actually fallen percent in the past year because of the oil collapse. ... The Administration expects the economy to grow just 3.2 percent in 1987, down from its previous projections but greater than this year's growth has proved to be.

Business inventories piled up six-tenths of 1 percent in October, and sales plunged 1.6 percent, sending the inventory-to-sales ratio to 1.36. ... Retail sales rose a moderate five-tenths of 1 percent in November.

Kohlberg, Kravis offered \$3.3 billion to take Owens-Illinois private in a leveraged buyout, and would let top Owens executives buy a piece of the company. Owens said it would study the offer.

The Fed approved the applications of two Japanese companies, Nomura and Daiwa, to become primary dealers in United States Treasury securities. But applications from two other Japanese firms were rejected, apparently so the Fed can pressure the Japanese to open their own markets to American firms.

Exxon will sell Reliance Electric to an investor group including top management, for \$1.35 billion. Exxon had paid \$1.2 billion for the motor manufacturer in 1979, but said it did not live up to expectations. Exxon also sold its headquarters building in Rockefeller Center for \$810 million to a unit of Mitsui. Some analysts believe it is amassing an acquisitions war chest.

Schlumberger is taking a \$1.7 billion charge in the fourth quarter which will give the huge oil-services company an \$85 million loss from continuing operations. Analysts, who have been expecting the charge, said



Ivan F. Boesky

it should help Schlumberger recover from the slump in oil.

OPEC ministers are meeting again to try to heal the rift that is preventing a unified effort to support oil prices. Although a preliminary agreement to trim output by 5 to 10 percent was reported, some analysts are skeptical that the group can ever agree upon — and enforce — quotas.

British Petroleum approached USX about possibly buying parts of the company, and USX said others are interested as well. The company, formerly known as U.S. Steel, has said it will restructure and sell-off some of its assets rather than submit to an \$8 billion bid from Carl C. Icahn.

Congressional leaders rejected the suggestion of the new House Speaker, Jim Wright, Democrat of Texas, that taxes be raised for upper-income taxpayers.

United Technologies is taking a \$592 million charge in the fourth quarter and will lay off as many as 11,000 people in the next year.

First Interstate threatened to make a hostile bid for BankAmerica if its \$3.4 billion offer is not accepted. It asked the Fed for permission to take over BankAmerica and said that, if it succeeds, it would sell off BankAmerica's Seafirst unit and branches in California to avoid competition problems.

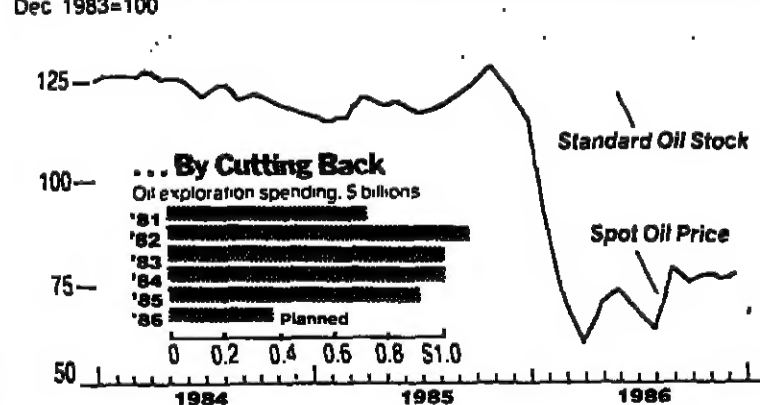
Stocks were up and down, with the Dow Jones industrials finishing the week down 12.80, at 1,912.26. Bond prices also fluctuated, and M-1 rose a whopping \$9.9 billion.

Carter Hawley Hale emerged battered but victorious in its battle to resist a takeover by The Limited and Edward J. DeBartolo. Carter is spinning off its specialty stores units, including Neiman-Marcus and Bergdorf. The Limited group had sweetened its offer to \$1.93 billion, but Carter Hawley, which had fought off The Limited two years ago, said it would rather be smaller and independent.

Miscellaneous. The Supreme Court limited the grounds under which a company can challenge a merger of competitors.

Standard Oil Survives Oil's Drop ...

Standard Oil's monthly N.Y.S.E. close vs. U.S. spot oil prices; monthly close with Dec 1983=100



THE END OF THE WHITEHOUSE ERA



Under the chairmanship of Alton W. Whitehouse Jr., Standard had drawn increasing fire from Wall Street, which complained that he was slow to react to the oil industry's troubled outlook. Even last year's fourth-quarter write-down was widely damned with faint praise by analysts who said it was too little, too late. His successor, Robert B. Horton, and British Petroleum have repeatedly declined to discuss the details of Mr. Whitehouse's February ouster.

beyond saying that B.P. and the Standard board felt a change was necessary. Mr. Whitehouse (pictured) did not return telephone calls. But several oil analysts and other sources knowledgeable about the two companies, who asked for anonymity, said that B.P. had long been unhappy with the Whitehouse stewardship, though they had resisted intervening for fear of setting off alarms about a "foreign" takeover of Standard.

When oil prices began falling precipitously in January, however, B.P. became alarmed that Mr. Whitehouse was not moving quickly at Standard.

Sir Peter Walters, B.P.'s chairman, urged action, but Mr. Whitehouse, who was said to have long resented what he considered London's interference, resisted. Then Sir Peter asked Mr. Whitehouse to resign, envisioning a face-saving changeover. But Mr. Whitehouse refused to do so.

The result was a terse announcement on Feb. 27 from the Standard board that Mr. Whitehouse and John Miller, Standard's president and chief operating officer, had been replaced. Wall Street was stunned — but analysts immediately hailed the move, and the stock jumped that day by \$2.50.

As in so many other questions concerning Standard, Prudhoe Bay was a factor in the removal of Mr. Whitehouse. B.P. had gained its majority position in Standard in 1970 by exchanging rights to roughly half the recoverable oil from Prudhoe Bay and other of its United States properties.

And a good part of Wall Street's disillusionment with Mr. Whitehouse sprang from the perception that he was not planning adequately for the decline in crude oil production from Prudhoe Bay. Prudhoe will remain a significant crude oil source for decades, and Standard is developing other sizable properties. Nonetheless, given the low oil prices and the relatively high costs of transporting crude oil from Alaska, Prudhoe's decline presents a sharp challenge.

The New York Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED DECEMBER 12, 1986 (Consolidated)

Company	Sales	Last	Net Chg
Br Gas	16,587,900	9 1/4	...
Pac Gen	13,947,300	24 1/2	- 1/2
Det Ed	11,360,300	17 1/2	- 1/4
AT&T	9,931,200	28 1/2	- 3/4
Cart Hw	7,752,500	50 1/4	- 2 1/2
IBM	7,171,900	128 1/2	- 1/2
USFG	6,795,500	40 1/4	- 1/2
Own Ill	6,250,800	50 1/4	+ 5/8
Exxon	5,847,500	71 1/4	+ 2 1/2
U Carb	5,049,500	22 1/2	- 1/2
Mobil	4,818,300	40	+ 1 1/4
Bax Tr	4,688,600	20	+ 1/2
Ches Pn	4,542,700	71 1/4	...
Coca Cl	4,527,300	37 1/4	- 1/4
Phil Mr	4,500,000	74 1/2	- 1/4

MARKET DIARY Last Week Prev. Week

Advances	606	1,114
Declines	1,367	828
Total Issues	2,234	2,232
New Highs	77	184
New Lows	108	73

VOLUME Last Week To Date

Total Sales	685,970,876	33,970,858,448
Same Per. 1985	827,894,580	26,208,824,803

WEEK'S MARKET AVERAGES

	High	Low	Last	Change
New York Stock Exchange	165.8	162.5	162.9	-2.44
Transp	124.5	120.6	120.7	-4.00
Utilities	77.0	75.8	75.8	-1.04
Finance	146.7	144.5	144.5	-2.29
Composite	143.9	141.4	141.5	-2.16

Standard & Poor's

400 Indust	280.7	274.8	275.2	-4.15
20 Transp	211.8	203.1	203.5	-8.10
40 Util	115.9	114.4	114.6	-1.64
40 Financial	28.4	27.8	27.9	-0.32
500 Stocks	252.3	247.0	247.3	-3.82

Dow Jones

30 Indust	1947.4	1904.3	1912.2	-12.80
20 Transp	863.8	831.5	834.7	-26.10
15 Util	213.5	208.4	209.6	-2.30
65 Comb	766.7	746.3	749.5	-10.74

The American Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED DEC. 12, 1986 (Consolidated)

Company	Sales	Last	Net Chg
Wickes	4,667,600	3 1/4	...
Wang	1,773,500	12 1/2	- 3/4
Husky G	1,667,300	8	+ 1/2
Amdahl	1,362,400	25	+ 1 1/4
GlCda n	1,022,000	10 1/4	+ 1/2
LoTel n	1,010,900	17 1/4	- 1
TenAir	985,400	35 1/4	- 1 1/4
Amrcr n	930,400	12 1/4	...
DWhEn s	892,800	14 1/4	- 5
Cominc	813,900	9 1/2	...

MARKET DIARY Last Week Prev. Week

Advances	251	344
Declines	499	418
Unchanged	178	165
Total Issues	928	927
New Highs	33	37
New Lows	91	67

VOLUME Last Week To Date

Total Sales	56,460,840	2,824,232,174
Same Per. 1985	76,061,580	1,976,716,465

The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935
ARTHUR HAYS SULZBERGER, Publisher 1935-1961
ORVILLE D. DRYFOOS, Publisher 1961-1986

ARTHUR OCHS SULZBERGER, Publisher
MAX FRANKEL, Executive Editor
ARTHUR GELB, Managing Editor
JAMES L. GREENGLASS, Assistant Managing Editor
JACK ROSENTHAL, Editorial Page Editor
LESLIE H. GELB, Deputy Editorial Page Editor
A. M. ROSENTHAL, Associate Editor
LANCE R. PRIMES, Exec. V.P., General Manager
RUSSELL T. LEWIS, Sr. V.P., Circulation
J. A. RIGGS JR., Sr. V.P., Operations
HOWARD HINSHAW, V.P., Employee Relations
RICHARD G. LINKER JR., V.P., Advertising
JOHN M. O'BRIEN, V.P., Controller
ELISE J. ROSS, V.P., Systems

Iran 1: What Needs to Be Known

Six weeks into the Iran-contra crisis, the public remains adrift with only scattered facts to grasp in a sea of questions. They are pressing questions. The crisis arises not because of a partisan desire to punish the President but because of the widest fears that leadership and orderly governmental process have broken down.

What is known suggests enormous misjudgments; the justifications remain clothed in silence, or partial explanation. What is known suggests arrogance about obeying the rules; the background still hides who decided what. The facts at hand suggest violations of law; it's not possible to discern whether they were willful.

One way to understand the story so far is to organize the facts around the gaps and then judge what needs to be known about the Reagan Administration's policies concerning Iran, covert war in Nicaragua, hostages and terror, Congressional involvement in foreign affairs and, ultimately, Presidential responsibility.

The 'Moderates': How Moderate?

The Administration made contact with Iran through intermediaries at a wrenching time. Officials had information about Iranian complicity in terrorist incidents in the Middle East in which Americans were killed or taken hostage. Yet officials who fully understand Iran's extraordinary geopolitical importance began receiving reports that "moderates" there wanted to improve relations with Washington.

No one would cavil at exploring such feelers with great care. There are few signs of care. Was there hard evidence of Iranian involvement in the terrorist moves? Was there a real basis for believing the "moderates" actually wanted to curtail terrorism and enhance ties? Exactly what was the logic behind the idea that selling arms to an extremist regime would help "moderates"? Or were they seeking arms only to break open the Iran-Iraq war? The known facts make the Administration's conduct look alarmingly casual and shallow.

Strengthening Iranian moderates and freeing hostages are goals America shared with Israel. The C.I.A. and Robert McFarlane, then the national security adviser, pressed for action. Israel began shipping American-made weapons and spare parts to Iran. Conversations with the Iranians turned to an arms-for-hostages deal. The Israelis made at least two shipments during 1985. One hostage was released in September.

Did the Administration recognize that, once exposed, this arrangement would contradict its every denunciation of Iran and terrorism? There might have been yet another contradiction depending on what kind of arms were sent. Quantity and quality could have emboldened Iran to fight harder in the war against Iraq.

Even if these considerations caused no hesita-

tion, why didn't the law? Estimates of Israeli arms sales to Iran in 1985 range from \$12 million to \$1 billion. U.S. law requires that Congress be notified for sales over \$14 million. Did President Reagan specifically approve these transactions, as Mr. McFarlane and the Israelis say, or not, as Attorney General Edwin Meese claims? The question reverberates. The answer is important not as some smoking gun but because it can show whether Mr. Reagan was in charge at the beginning or whether the policy machinery was already out of control.

Mistakes Magnified

Last December, the Administration withdrew whatever approval it had given to the arms sales. A month later, over the objections of Secretary of State George Shultz and Defense Secretary Caspar Weinberger, President Reagan directed the C.I.A. to exchange more arms for hostages. Large quantities of antitank and antiaircraft missiles were sold, at a huge profit. More hostages were released — and more taken.

The perils of this policy were vastly magnified, meanwhile, when Oliver North, an aide to John Poindexter, the new national security adviser, used the profits, deposited in a C.I.A. Swiss bank account, to purchase arms for the contra rebels in Nicaragua. What, if anything, did Mr. Weinberger and Mr. Shultz know of the sales to Iran this year, even while they continued to inveigh against any such acts? Why didn't those others who knew in one way or another raise objections or tell the President the truth?

Apparently at Iranian instance, a Lebanese magazine revealed the Iran deals on Nov. 3. Attorney General Meese investigated, and he and the President disclosed pieces of the story. Even at that point, Mr. Reagan spoke of only one plane load of arms. Was he still unaware of how much more was shipped, and if so, who misinformed him?

Who Acted on Whose Authority?

The truth now known already stings. The rest needs to be known. If, as reported, Mr. Reagan decided against notifying Congress of the covert arms shipments to Iran, was he violating statute? The question bears on the Administration's larger attitude toward the law. Perhaps it felt that it could imperiously disregard not just the law but its own past policy statements as well.

What makes these questions so troubling is the possibility that the President truly didn't know what was happening — and that subordinates felt free to take such actions on their own authority. If similar failures are to be averted, such shortcomings of policy, process and people have to be uncovered. One way or another, the public and the President need to know, so we can once again trust and he can once again lead.

Iran 2: How Best to Find It Out

There may have been a moment when President Reagan could have cut to the heart of the crisis. A close friend, Paul Laxalt, urged him to do it. So did a not-so-close friend, Jimmy Carter. So did others: Summon the people who should know into the Oval Office, interview them and then tell the public.

That bold approach could have cleared the air instantly. It would have put the emphasis on correcting error rather than dodging blame. And it would have spared loyal aides the pain of pleading the Fifth Amendment. The public, after all, is much more interested in quickly getting to the bottom of the crisis than in assiduously hounding aides for too much zeal. That the President didn't pursue this course opens its own questions. Even if he now does, as reports indicate, it may be too late for effective action.

President and nation now confront tiers of inquiries, including Mr. Reagan's panel to examine his National Security Council staff. Both houses of Congress will soon be named to pursue possible criminality. It's a slower, more laborious course. More searching, it may also end up the wiser course.

Overlap Has Its Virtues

At first blush, the fact-finding task of Congress seems at odds with the criminal investigation of the independent counsel. Already Admiral Poindexter and Colonel North, and two N.S.C. staff members, have refused to testify, on the wholly realistic grounds that the independent counsel may find their testimony incriminating. That impediment to gaining evidence can be more than compensated for by cooperation among the counsel and the two Congressional select committees scheduled to convene next month.

The Watergate special prosecutor frequently clashed with Senate investigators — yet it was at a Congressional hearing that Alexander Butterfield, a White House aide, first disclosed the Nixon tapes that gave critical evidence to both the prosecutor and Congress.

It's unfortunate that the Senate and House won't consolidate their efforts. But Congress has plenty of license to investigate. There will be televised sensations and there will be leaks, but there are checks on abuses. One is that Democrats seem to sense how little the public wants to bring down another President.

To his credit, Attorney General Meese moved quickly to apply for a court-appointed independent counsel once he realized crimes may have been committed. Whether he realized that soon enough remains a question. For all his pride in being the top cop, he let both the colonel and the admiral retain access to their papers, perhaps even destroy some, while he lumbered through the evidence.

Widen the Counsel's Charter

Mr. Meese's application for the independent counsel again vindicates the independent counsel section of the 1978 Ethics in Government Act. It's a law the Reagan Administration wanted to repeal as an invasion of executive power. Instead, Congress wisely fine-tuned it in 1982, providing the very grounds Mr. Meese cited for taking himself out of this case: that for him to do the investigating "may result in a personal, financial or political conflict of interest."

Unfortunately, Mr. Meese has failed to recognize the extent of his "political conflict of interest." His application fails to ask the court to include other aspects of possibly illegal contra aid in the independent counsel's charter. The court should broaden the mandate. Mr. Meese correctly challenges the court to choose a counsel of breadth and skill commensurate with questions of "unusual sensitivity, complexity and importance."

Admiral Poindexter and Colonel North took the Fifth last week in a sad and misunderstood spectacle. Neither witness is immune from prosecution but each has the right not to be convicted on his compelled testimony. Only after that right is claimed can a Congressional committee or a grand jury obtain a court order to testify under limited immunity, a ban on the use of that testimony as evidence or leads to evidence.

Claiming the privilege, odious as it was to many, was thus a necessary step. Witnesses need a sense that Congress and the independent counsel both mean business. The tools of the prosecutor can supplement the questions of Congress.

No rush to accuse, acquit or immunize will make the truth emerge any faster. Most people want to get it all out, and over with, but not before learning what "it" is. Was Congress deceived or merely circumvented? Is there a legislative draftsman who can devise checks against future abuses? It could have reassured the public to have quick answers. It will reassure the public to have painstaking ones.

Letters

They Don't Give Medals for Pleading the Fifth

To the Editor:
"Pleading the Fifth Is No Crime" (editorial, Dec. 5) is correctly titled, but mixes accurate with misleading observations. It is quite true that Vice Adm. John M. Poindexter and Lieut. Col. Oliver L. North are "wholly within their rights" under the Constitution in refusing to testify before the Senate Intelligence Committee by invoking the Fifth Amendment's guarantee against self-incrimination. But in saying that their action "is a necessary first step in doing their duty while preserving their rights," you are overreacting more than Senator John Glenn, whom you criticize for expressing outrage at the Poindexter-North refusal to testify.

Your tone suggests that declining to testify before a Congressional committee is routine, warranting no particular notice or comment. You wholly ignore the public's interest in the prompt clarification that these men, who appear to be the best-informed participants in the Iranian arms transactions that have so embroiled our country, are delaying by their silence. Furthermore, as James Reston noted (column, Dec. 7), as long as admiral and colonel remain silent, "the suspicion will exist that they have something to hide and are protecting not only themselves but other higher officials of the Government."

What they have done is necessary, if at all, only in their own interest, not that of their country. They are entitled by law to invoke their constitutional privilege against self-incrimination only if they sincerely believe that their testimony may disclose evidence that would increase the likelihood of their conviction of crime.

You rightly criticize Senator Joseph R. McCarthy's use of the expression "Fifth Amendment Communist" to label those who invoked the amendment before his committee as confessed Communists. But the late Senator was by no means alone in casting aspersions and imposing hardships on those who took this course.

For instance, during the McCarthy years, John Dickey, president of Dartmouth College, declared, "any teacher who pleads the Fifth Amendment has compromised his fitness to perform the responsibilities of higher education." As one who wrote on this subject at the time, and defended numerous individuals called before Congressional committees, I encountered instances in which my clients as employees of universities and other respectable institutions were told in no uncertain terms that, if they invoked their Fifth Amendment privilege, their employment would be promptly terminated.

Erwin Griswold, former dean of

Harvard Law School and Solicitor General, whose views on the Fifth Amendment you rightly praise, wrote that such treatment might be of "great propriety" in investigations of crimes such as those involving public security. The Fifth Amendment does not require that police officers who invoke it be kept on duty after refusing to answer questions about involvement in drug-traffic shakedowns.

It has long been military tradition that the national interest prevails over a soldier's personal considerations. Vice Admiral Poindexter and Lieutenant Colonel North have no valid basis other than personal advantage for invoking their constitutional privilege. Whether or not this is sufficient for Senator Glenn's "outrage," it certainly does not call for soothing syrup such as your editorial pours over what is in fact a very ugly situation.

New York, Dec. 10, 1986

The writer, a retired brigadier general, is Kaiser Professor at the Benjamin Cardozo School of Law.

A Waiver Is Needed

To the Editor:

Yes, the Fifth Amendment clearly protects all persons against compelled self-incrimination, including employees of the Government, unless they are granted immunity from prosecution.

But should not those who would be employed by our Government be required to waive the Fifth Amendment privilege, relative to their actions as Government employees, as a condition of being so employed?

When a person seeks public office, whether as a staff member to the na-



tional security adviser, such as Lieutenant Colonel North, or as the national security adviser himself, such as Vice Admiral Poindexter, that per-

son must undertake to uphold the laws of the United States. He should not be able to flout the law in his official position and then be able to take refuge in the Fifth Amendment.

Government service is a very special privilege. One who would so serve should be required to waive that other privilege conferred by the Fifth Amendment. It is hoped that having done so, that person would be far less likely to break the law in the performance of his work. But should he then violate the law in the conduct of his official duties, he could be required to testify concerning his actions or suffer the consequences of being in contempt.

Had Colonel North and Admiral Poindexter been required to waive their right against self-incrimination before embarking on their careers in government, it is likely that the Congressional committees who seek the truth about what occurred would have got it by now, rather than being faced with gathering the pertinent evidence through less direct channels and with the possibility that some of the facts may be unobtainable from any other source.

Congress should pass appropriate legislation to prevent the recurrence of just this situation. If it is necessary to amend the Constitution to accomplish this, then that should be done.

MYRON WANDER

Purchase, N.Y., Dec. 5, 1986

That Man Grant

To the Editor:

Every American, including active-duty lieutenant colonels and admirals and retired major generals should treasure the right to refuse to give testimony that might be self-incriminating. It is a privilege we have enjoyed since the Fifth Amendment was adopted in 1791.

Yet it is difficult, if not impossible, to see someone invoke Fifth Amendment protection and not suspect he has something to hide. For example, President Ulysses S. Grant exercised his Fifth Amendment privilege in 1876, when the Democrat-controlled House wanted to question the Republican President about official business he conducted while on a lengthy trip away from Washington.

Grant responded that he was invoking a "constitutional guarantee, which protects every citizen, the President as well as the humblest in the land, from being made a witness against himself."

No one should quarrel with that. But knowing Grant, I'll bet the racial was up to no good. See what I mean? WALTER S. HENNESSEY JR. Huntington, L.I., Dec. 10, 1986

Bishops Providing Leadership on Social Issues

To the Editor:

As a Roman Catholic layman who is a student of social-policy issues, I strongly disagree with the expression of Catholic lay opinion from the commission organized by William Simon and Michael Novak. I don't know by what right a former Nixon official and an employee of a conservative Washington think tank believe they can speak for one-fourth of the American population. What I do know is that their view represents only one point on a broad spectrum of opinion.

In my parish and in my travels around the country I encounter many Catholics who are proud of the leadership on social and economic policy that the bishops have shown when both national parties have decided that the poor and minorities are out of style and that upscale suburbanites don't want to hear about any more problems.

There have always been liberals and radicals within the church who have found their roots in the Catholic social tradition and the words of Christ, but it is a new and wonderful

experience to find the hierarchy struggling with issues of justice, unemployment and economic rights amid the widening disparities in American society.

The Pope and the bishops, if you read their words carefully, are raising issues that challenge the positions of the vast majority of political leaders. Speaking for the largest religious community in the United States and powerfully linking their conclusions to the basic tradition of the church, when Catholics are reaching positions of great importance within virtually all major American institutions, the bishops are providing extremely important leadership. If their insights are carried into our public debate and absorbed by a significant portion of the Catholic community, I believe it will substantially enrich the intellectual and political discourse of a selfish and shortsighted period in our history.

GARY ORFIELD

Chicago, Nov. 29, 1986
The writer is professor of political science at the University of Chicago.

Put Lieutenant Governor On Utilities Commission

To the Editor:

I read with great interest your editorial "Albany's \$85,000-a-Year Nothing Job" (Dec. 4), which called for abolishing the position of lieutenant governor of New York State.

Although I agree with your position and believe that the State Legislature should abolish that position, unfortunately, that cannot happen until the term of Lieut. Gov.-elect Stan Lundine expires (which is in four years).

However, the Governor and Legislature should support a law that would mandate that the lieutenant governor be given commissioner-level responsibilities. One suggestion: the Governor should appoint Lieut. Gov.-elect Lundine to the position of Commissioner of the State Public Service Commission.

The Public Service Commission is the body that regulates all utilities in the state. There are a number of vacancies on that commission, and many elected officials (including the Governor) and concerned citizens have long believed that the commission has been unresponsive to the interests of the utility ratepayers. There is a need to make that body more accountable to the public and to elected officials. Having the lieutenant governor serve on that body would be a major step in the right direction.

PAUL FEINER
Westchester Co. Legislator, 12th Dist.
Hastings-on-Hudson, N.Y., Dec. 5, 1986

The Times welcomes letters from readers. Letters for publication must include the writer's name, address and telephone number. Because of the large volume of mail received, we regret that we are unable to acknowledge or to return unpublished letters.

U.S.-Soviet TV Swap

To the Editor:

Given the rather confused understanding of what was or was not agreed upon at the Reykjavik, Iceland, meeting between President Reagan and the Soviet leader, Mikhail S. Gorbachev, on the subject of cessation of the Soviet Union's jamming of American radio broadcasts, let me suggest a very simple compromise.

The United States should give the Soviet Union one hour a week of television time in a prime slot (possibly on public television) to explain its positions if, in return, the United States is given one hour of prime time on Soviet television to explain its positions.

If the Soviet Union were willing to accept such an arrangement, this would indicate that the Russians are willing to open up their society to outside views, and that General Secretary Gorbachev's program of openness is more than a public-relations tactic.

ROBERT O. FREEDMAN

Baltimore, Dec. 8, 1986

Employee Incentives Will Increase Productivity

To the Editor:

In "Takeovers, a Symptom of Corporatism" (Op-Ed, Dec. 3), Mark Green and John F. Berry identify the symptoms of corporate America's disease, but their prescription for healing is utterly suspect. The rallying cry to reduce waste lines is far too simplistic; and lately I'm hearing it too often. In contrast to the authors' point of view, when conservative Republicans and progressive Democrats concur on an economic analysis, I run for cover.

The authors present two excellent examples of my concern — namely, tax reform in 1986 and airline rate deregulation in 1979. If we could turn back the clock and redo these major reforms, wouldn't we have done a much better job of it? Both of those reforms were pushed through with an attitude of let's do something — anything — because a poorly thought-out reform is better than no reform at all.

Cutting waste certainly sounds like a good idea. But note the irony: it raises profits in the near term, but how does it promote productivity for the long run? Corporatism, the au-

thors say, "encourage office politics instead of productivity." True enough, but tell me, when the hatchet lists are drawn, who will survive? The politicians or the producers?

Let's put aside the rhetoric, the drum beating and the quick fix. We need a solution based on thought, balance, patience and practicality. Corporate America can heal itself — not by top management's unilaterally slashing the head count, but by tapping into the underestimated resourcefulness of American white-collar workers.

We must demand that top management put away the knife and instead establish bona fide incentives for their employees to become more productive. Given an appropriate reward and the opportunity to achieve it, people will unquestionably become more productive. They will cut their own waste — but only if they get to share in the fruits of their efforts.

Simply put, corporate America can attend to its current malaise by altering its methods of managing people rather than by merely eliminating them.

THOMAS R. COWIE

Stamford, Conn., Dec. 4, 1986



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IN THE NATION

Tom Wicker

Death Wish and Taxes

Like dogs with a bone, or little boys playing with matches, some Democrats just can't seem to leave alone the idea of a tax increase. Just as some Republicans can't seem to get it through their heads that threatening Social Security is political hara-kiri, these Democrats seem to have a sort of death wish to raise taxes.

First it was Jim Wright of Texas, Speaker-to-be of the new House of Representatives, calling for partial delay of the tax rate reduction approved last year. He said he wanted to hold up the cuts only for those in the highest bracket, but Secretary of the Treasury James Baker nailed Mr. Wright's proposal to the wall: "Nothing more than a tax increase."

Now it's former Gov. Charles Robb of Virginia — of all places, at a meeting of the Democratic Leadership Council planning for a 1988 victory — calling upon his party to cut spending, then "bite the bullet and find the revenue to pay our bills." That also means "nothing more than a tax increase."

What's going on here? Mr. Robb put it plainly when he said his party ought to declare 1987 "the year for fiscal accountability, the year for cleaning up the fiscal mess the Republicans have created." Neither he nor Mr. Wright explained why Democrats should clean up that peculiarly Republican mess; but they apparently believe that that's the road to "fiscal responsibility" and that "fiscal responsibility" is the road to a Democratic return to power.

Baloney. Don't these thinkers remember that for decades the Republicans regularly lost elections by demanding fiscal responsibility and a balanced budget? That when Jimmy Carter tried to achieve both, half his party revolted and the voters threw him out of the White House, for that among other reasons?

Don't Mr. Robb, Mr. Wright and their fellow tax raisers recall that the man who defeated Mr. Carter did so not least by confounding Republican Party history with the promise of a tax cut? Or that, in 1984, when Walter Mondale pledged a tax increase to cut the deficit, he lost 49 states — to a Republican President who had run up that deficit and doubled the national debt?

Do they really believe that voters want a here-and-now tax increase to pay off a faraway deficit? Americans may say so to the poll-taker but they don't mean it at the polls.

Today's deficit, moreover, is demonstrably not the fire-breathing monster so often depicted. Since Ronald Reagan's tax cut and military spending spree ran the figures into triple digits, inflation, interest rates and unemployment all have declined, and even the worrisome trade deficit

Democrats are playing with political fire

at last has started downward.

Unemployment does remain too high, the economy is too sluggish, and in the Reagan years the number of Americans homeless, hungry, cold and inadequately cared for has risen too high. That's the kind of mess voters might well look to the Democrats to clean up — but will Mr. Wright and/or Mr. Robb please explain how a tax increase aimed at reducing the deficit will help solve any of those problems? Or how to keep such a tax increase from making matters worse by spinning that sluggish economy into recession?

Even if a tax increase were good economics for 1987, and even if the Democrats were foolish enough to push it, they wouldn't get credit for "fiscal responsibility." Mr. Robb achieved that reputation in conservative Virginia; but nationally, Democrats never will (ask Mr. Carter and Mr. Mondale). The party's modern history and its dependence on labor and minorities are too prevalent. Already the Republicans are itching to turn a Democratic tax increase back on its sponsors by labeling them big taxers who want to return to the big-spending ways of yesteryear.

Practically speaking, the Democrats don't have the power to raise taxes anyway. Even if they could pass a bill, they couldn't override Mr. Reagan's certain veto, weakened though he is by the Iranian arms fiasco. And after the veto, Republicans could and would claim in 1988 to have saved the nation from tax-and-spend Democrats.

Mr. Robb obviously was correct to warn the party not to depend on a "free pass" in 1988, owing to Mr. Reagan's deepening political troubles; after all, Democrats received no such pass after Watergate in 1976. But why play with political fire by talking about a tax increase just when the party's chance to return to power begins to look real?

Can't Prague Leave Even Jazz Alone?

By Kurt Vonnegut Jr.

Of all the triumphs of life-haters today, of fun-haters today, of thought-and-love-haters today, of the one that most troubles my heart is the inducement of some Czechoslovak politicians and police to behave like cannibals toward the most humane and generous and gifted members of their own society.

It now appears that these cruel mutants, bred in the filth of the Second World War and all the feculent slime that has come afterwards, mean to punish with grim glee and severity the seven harmless and delightful members of the Executive Committee of the so-called Jazz Section, whom they arrested last September and whom they have kept imprisoned ever since for God-knows-what.

Well, not exactly for God-knows-what, but, for all practical purposes, in any sane nation it would be for God-knows-what, to wit: Article 118 of the Czechoslovak Criminal Code, which makes it a crime to engage in an unauthorized business enterprise. The intolerable business, the Jazz Section, established in 1971 and deemed legal by the Czech Government back then and blessed by UNESCO, has had as its core purpose the celebration of jazz and the encouragement of native jazz musicians.

Jazz, that magnificent gift of the black people of the United States to the whole planet, in Czechoslovakia as everywhere comforted and amused not only musicians but life-lovers of every sort who were welcomed by the Jazz Group as members of the family.

The names of the unarmed toe-tappers and finger-snappers untimely ripped from their homes by the worst of the police are Karel Šrpa, Josef Skalník, Vladimír Kouril, Tomáš Krivánek, Cestmír Hunák, Miloš Drda and Vlastimil Drda.

I met some of them and other members of their extended family a couple of years ago, and so did John Updike a few months later. Let the court that is about to try and sentence them read the worst into what they had John and me do: each of us had to

Kurt Vonnegut Jr., the writer, is a board member of the Fund for Free Expression, the parent organization of Helsinki Watch.

plant a sapling and then to water it afterwards.

A policeman, or even the child of a policeman, with his proud parents standing by, can easily cut down those saplings.

Messrs. Šrpa, Skalník, Kouril, Krivánek, Hunák and the two Drdas are rooted like the saplings in a tiny nation whose people, despite their small numbers, have created a major fraction of the Earth's most important architecture, sculpture, painting, music, poetry, theater, imaginative

prose and most recently, as émigrés, motion pictures. If a flying saucer person were to ask me what Earthlings considered their most habitable city, architecturally speaking, I would reply without hesitation, "Come with me to Prague."

Legal technicians who are curious as to what triggered these latest arrests of Czechoslovaks who can't seem to keep the hell away from the arts should apply to the Helsinki Watch here in New York City for details. It is in the phone book.

I myself will take this opportunity, and there will surely be many more like it offered by Czechoslovakia and Chile and Poland and Turkey and on and on, to say that the two most potent spiritual forces in contention almost everywhere today have nothing to do with nations, political parties or economic philosophies.

The opposing forces are these: those who enjoy childlike playfulness when they become adults and those who don't.

Come with me to Prague.



WASHINGTON James Reston

Sweet Land of Mystery

By now we know quite a lot about the effects of the Iranian scandal, but very little attention has been paid to the deeper causes of these bizarre events.

This is not merely a question of whether the mullahs from the mullahs in Iran went to the contras in Nicaragua, or what was going on upstairs, downstairs and backstairs in the White House, but a fundamental question about how we elect Presidents, choose their assistants and decide on the ends and means of our official public relations and foreign relations.

To begin with politics, since we are starting another national campaign, it is now clear that we have a tendency to pick candidates who can wow the voters on television rather than Presidents who can govern the country. Mr. Reagan is a reminder that the qualities for these two jobs are not necessarily the same.

That is one of the deeper causes of our present troubles. A second cause is that we choose their assistants in the Cabinet and the White House in a rather absent-minded fashion, and confirm them in the Senate with almost equal indifference.

Sometimes we put them in key jobs such as the National Security Council without the senators' ever having a look at them, except on television, and then dispose of them like Kleenex. We have had five national security advisers under President Reagan in less than six years, the fourth of whom, Admiral Poindexter, was pursuing democracy with guns abroad while mocking it with disinformation policies at home.

A related question, asked by James Bryce in his classic book "The American Commonwealth" almost a hundred years ago is: "Why don't the best men go into politics?" The answer much of the time is that they're uninvited, underpaid and bypassed in favor of political hacks, ideological zealots or Presidential cronies.

Then there's the problem of not using to their full capacity in key jobs many of the most experienced people who are available and who might give some continuity to our policies from one administration to another.

This country has a professional foreign service that is equal if not superior to any in the world, but now that it is most needed it is least used, particularly by the present Administration, whose appointments to most of the major embassies and the National Security Council have been, to put it mildly, a disgrace.

Every other major democracy, for example, chooses political cabinet members, as we do, but they recognize that there are some guiding principles that endure regardless of which party governs the executive.

Accordingly, they have in each major department a "permanent

The deeper causes of our present troubles

under secretary" who knows how to say, politely of course, "Wait a minute."

It's hard to imagine that if we had had such characters serving the President, the Cabinet and the National Security Council that one of them wouldn't have suggested that sending weapons to terrorists to stamp out terror and end the Iran-Iraq war wasn't a particularly good idea.

So much for the machinery around here, which needs some new connecting rods. The philosophy of our foreign policy is an even more difficult and troublesome problem.

For the fertility of the human mind and body is changing the world faster than we can change ourselves and our institutions. We are not clear in either political party whether we are trying mainly to defend the nation or the civilization of all the free nations and those who are "yearning to be free."

From Woodrow Wilson at Geneva, Franklin Roosevelt at Yalta and Harry Truman at Potsdam, to John Kennedy at the Bay of Pigs, Lyndon Johnson and Richard Nixon in Vietnam and Ronald Reagan at Reykjavik there has been fundamental confusion over the methods and objectives of our policy — all confounded by the menace of Moscow and party squabbles in Washington.

This is not the sort of thing that can be handled by Ron, Don and Pat, upstairs in the White House, who think more about tomorrow's headlines and the next election than about the next century.

The problem requires a basic reappraisal by the best minds in the land and by both parties, which are not the same thing, about where we're going and what sort of people can lead us in this sweet land of mystery.

It must begin now before the people start laughing at the wrong places and tossing chairs from the balcony. This will be tough if Admiral Poindexter and Colonel North, who are both still in uniform, won't talk and their Commander in Chief won't ask. But as they say in the television recruiting ads, "The military is a good place to start."

Come Clean, Mr. President

By Ernest F. Hollings

Like a grade B Hollywood remake, the arms-for-hostages deal is rapidly degenerating into President Reagan's Watergate. It recalls the adage that historical phenomena always happen twice — the first time as tragedy, the second time as farce.

The trouble is, nobody is laughing anymore. What started as a grade B remake has now evolved into a first class scandal. However, this crisis need not destroy the Administration.

Since taking office in 1981, Mr. Reagan has restored the Presidency to authority and pre-eminence. The American people have genuine affection for the President. They trust him. To maintain that high standing, Mr. Reagan must, as he himself has said, "fully inform" the nation about the

Ernest F. Hollings, Democrat, is Senator from South Carolina.

environment he created in which this escapade was hatched.

No, I am not talking about cashing in Donald Regan or reining in the National Security Council. Those actions are necessary, but they fail to tackle the core problem: the mortal blow that has been dealt to the President's credibility and standing.

When all is said and done, Mr. Reagan is the "who" in all the hoopla surrounding this crisis. And the fact is that the vast majority of the American people do not believe the President is telling the full truth about his knowledge and involvement. As with Watergate 12 years ago, what hurts most is not the violation of laws but the wanton betrayal of trust.

The President's plea of ignorance stands on two increasingly wobbly legs. The first is the shield of "plausible deniability" for the President — the standard ingredient of any illegal covert operation. Unfortunately, as Senator Bob Dole has observed, not even Ripley of "Believe It or Not" could believe that Lieut. Col. Oliver L. North and Vice Adm. John M. Poin-

dexter — schooled in obedience and loyal to the chain of command — acted without higher authority, indeed, without the highest authority.

The second line of the President's defense is the widespread impression that he is laid back and poorly informed about even the most important activities of his Administration. True, he may be indifferent to 95 percent of his Administration's initiatives, but he has engaged passionately in the remaining 5 percent. And at the top of that personal Reagan agenda are the contras and the Beirut hostages. It is inconceivable that Admiral Poindexter's daily briefings with Mr. Reagan would not include detailed updates on the President's pet project: assisting the contras.

The truth will out. The only question is whether it will be volunteered or extracted. The President has retreated to his bunker, Colonel North and Admiral Poindexter, two fine officers, have dutifully fallen on their swords by taking the Fifth Amendment to protect their Commander in Chief. But the rest of the White House

is leaking like a colander.

Lesson No. 1 of freshman politics is that when you have damaging information that inevitably is going to come to light, you take the initiative and reveal it yourself with the appropriate "spin." Ignoring this dictum, the President has opted to let the truth leak out in a slow drip — a Chinese water torture that is eroding his popularity and power.

Mr. Reagan can and must halt the slide. He cannot acknowledge "full responsibility" and call in the Federal Bureau of Investigation and special counsel to catch the criminal while at the same time giving farewell parties to the accused and calling them national heroes. He must lay bare the unvarnished facts about his Administration's dealings with Iran and the contras. This will prevent the paralysis of our Government and allow Mr. Reagan to move decisively to reconstitute and restore his Presidency. Who doubts that Congress and the American people would respond positively to such a decisive act of candor?

Stop Hiding, Colonel North

By John R. Stockwell

There is only one course of action for Lieut. Col. Oliver L. North. He must stop listening to attorneys and politicians and tell the truth before the Congress. Yes, Colonel North must do this at full risk of self-incrimination.

Perhaps I am one of the few people in the nation who have the right to offer such advice.

In 1975, as a paramilitary specialist for the Central Intelligence Agency, I sat in on 177 meetings of a subcommittee of the National Security Council as the coordinator of the Angolan secret war. My title was "Chief of the Angola Task Force."

Like Colonel North, I flew abroad to coordinate covert policies. I supervised the movements of arms through Israel, the opening of Swiss and German bank accounts to funnel money to our clients, ran a disinformation program, hired mercenaries and dealt with terrorists.

Like the Iran-contra operation, there were questions about the legality of our activities, and we had to consider the possibility of indictment. We had delivered arms to South Af-

rican forces in Angola, encouraged the recruitment of mercenaries inside the United States and misled Congressional committees, in violation of the Hughes-Ryan Amendment requiring the executive branch to inform Congress of covert activities.

To cover up our activities, high C.I.A. and State Department officials gave false testimony to Congressional committees, seemingly a matter of perjury in which I might have been accused of conspiracy.

During the Angolan operation, we begged the Congress "not to jiggle the hand of the surgeon" during the

operation. Once the activity was terminated, some files were purged to inhibit any investigating committee from gaining proof of our illegal activities.

Unlike Colonel North, I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee and committees of the House in 1977. Instead, I chose to tell the full truth at the risk of self-incrimination, indictment and whatever.

I took this course for several reasons. One, I doubted that any jury in this land would be likely to convict a decorated officer for conscientiously implementing a foreign policy that had been ordered and approved by members of the National Security Council, however misguided the policy may have turned out to be.

Second, I had serious misgivings about what we had done and how we had done it. Airing these mistakes to the appropriate offices of the Congress and to the public seemed the best way for the nation to learn from them.

My third reason was that I sincerely believed in our system of government. True, it lurches and careens about the world, sometimes making hard-to-forgive mistakes. Without question, the men and women in office are fallible and occasionally corrupt. It is always possible that some of them may even not have the best of intentions. Crimes sometimes go unpunished and some injustices take years, decades, even 200 years or two (in the case of slavery and civil rights) to be corrected.

But the balance of power our Founding Fathers so brilliantly contrived has nevertheless functioned like a gyroscope to keep us from plunging irretrievably into anarchy or despotism.

Congress has the constitutional responsibility to oversee activities such as Colonel North's and my own. If I believed in the system, I had to answer the committee's questions. It was a matter of pride and honor. Of course, my attorneys advised me of the Fifth Amendment, but the decision was my own. As it turned out, Congress and the Justice Department did not indict us, and I was twice vindicated.

Take punishment, if necessary

Obviously, there are differences between Colonel North's operations and my own. The Reagan team, of which Colonel North was the running back, went much further than we did in the scope of their activities. And while our results in Angola were less than brilliant, we were professionals at the covert game and structured to play it. Colonel North and the National Security Council were not.

Whatever happens in the current investigation, Colonel North is not likely to be viewed with pride by any other marines. I note this as a former Marine Corps officer. The generals he apparently pushed around aren't likely to forget if he ever goes back into the ranks. While his questionable activities were conducted in civilian clothes, he chose to testify before the House Foreign Affairs Committee in full uniform. His pleading the Fifth Amendment and transparent appeals for sympathy were insults to that uniform and to his rank. The Representatives' expressions of sympathy were inappropriate.

But far worse, if reports that Iran helped finance the bombing of the marine barracks in Beirut in 1983 turn out to be true, there may be nothing Colonel North can do that will satisfy his fellow marines, active or retired.

But if Colonel North stops hiding behind his rights, truthfully answers the Congressional committee's questions and volunteers to take his punishment if necessary, he would at least reaffirm his patriotism and commitment to the American system of government.

Flowery protest

GARDENER'S CORNER
Walter Frankl

WHEN THE DUTCH government, under pressure from Arab oil-producing countries decided to transfer its embassy to Tel Aviv in 1981, Dutch friends of Israel founded the Israel-Netherlands Committee and sent 100,000 Dutch tulips and other flower bulbs to beautify Jerusalem in order to protest the move.

More of these "ambassadors" arrived recently and have been planted by the municipality in the outskirts of the city as well as in its centre. Hundreds of municipal gardeners were occupied for a couple of weeks preparing the ground: weeding, composting, digging and levelling the soil.

In several places words and symbols were marked out with sand on the surface and planted with colorful bulbs. By March, residents of Jerusalem will be able to read the words "peace" in Hebrew, Arabic and English, and see the Dutch and Israeli flags planted out with colorful hyacinths. This year, for the first time, 10,000 bulbs have been given by the Jerusalem municipality to the Galilee border town of Kiryat Shmona as a goodwill gesture.

The yearly arrival of the flower bulbs is not the only documentary evidence of the friendship between the Dutch people and Jerusalem. Another big venture, the Holland Park project, is now under way. A territory of about 160 dunam (16 hectares) between Kiryat Yovel and the Jerusalem Forest has been earmarked for this purpose and a newly-founded Dutch-Israeli foundation including non-Jewish as well as Jewish members, will cover the costs of the project, which will run into several million dollars. Mayor Teddy Kollek flew to Amsterdam last month to preside over the initial meeting of the sponsors.

Landscape gardener Yosef Segal who created the Wohl Rose Park near the Knesset devised the plan for Holland Park. In addition to sports and recreation facilities and an artificial lake, there will be seasonal

varieties of Dutch flowers throughout the year. Work will commence when the first donations reach Jerusalem. Today Holland Park seems an utopian dream, but wasn't the Wohl rosarium, only a couple of years ago?

GARDENING DURING THE cold season. Nobody can complain of lack of rain this year. We enjoyed a number of beneficial downpours during November and in many parts of the country more than half of the annual average has already saturated the soil.

There are always rainless spells during December, fine days of sunshine and blue sky which permit some outdoor gardening for the amateur. Your garden requires care not only in the growing season, but also in the winter.

Mulching: Again and again I must emphasize the benefits of mulching. It is no burden just now, as the best mulch material is at hand and free of charge. Use the rainless spells: rake fallen leaves and pine needles into heaps and collect them in a bucket; then go around and place this valuable mulch material around roses, fruit trees, flowering and other shrubs, vegetables, bulbs and along flowering borders. This is by far the best winter protection for plants.

If suitably mulched, the ground freezes little or not at all and plant roots and soil organisms remain partly active and can start functioning in the early spring, when sunny, windy days have a drying effect on vegetation. Under these early spring conditions, unmulched evergreens often lose water through their leaves. Unable to replace it from the frozen soil, they often dry out and die.

Don't forget that we are only at the beginning of the cold and rainy season. Winter starts officially in one week's time (December 22nd) and during January and February we can expect showers, winds, storms and frost. In hilly regions like Jerusalem, Hebron, Safad and the Golan Heights, snowfall is also possible. Snow is actually one of the best-protecting winter mulches.

So, let mulching be the last and the



By March, Jerusalem residents will be able to read the word "peace" formed by colourful hyacinths. (Ya'acov Levy)

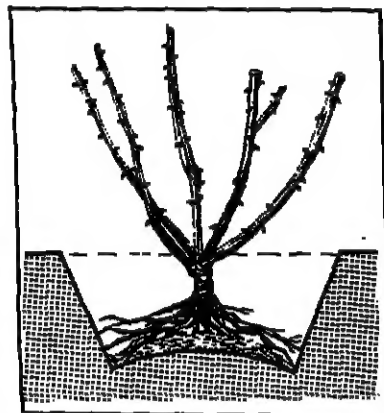
most important job in late autumn. It may make all the difference between strong and healthy plants, and sickly, insect-ravaged ones burnt by frost. Do not be in a hurry to remove the mulch in the spring. When plants begin to renew their growth, you should use the half-rotted winter mulch as an organic plant food and dig it in to enrich your soil.

WINTER PLANTING. During the intervals between the December and January rains there are other jobs to be done in the garden.

Roses should be planted from the end of December until the end of January. Prepare holes about 50-70 cm. deep and 50 cm. wide. Half-fill them with the soil of the trench mixed with a third of well-rotted compost or cow manure. Shape a small mound inside the trench, cut a few centimetres of the root-ends and insert the rose plant upright spreading its roots over the mound. Cover the roots completely with the remaining soil, but leave the budding spot (a visible swelling at the plant's base) exactly at ground level. Press the soil down firmly by stepping around the planted sapling to prevent air pockets. For the initial growth period form a mound of loose soil, about 20 cm. high, around the stem. Make a shallow trench around the plant and water slowly, using a watering can or hose. In a few

weeks, after the appearance of the first leaves, remove the covering soil. Don't use chemical fertilizers in the first season.

From the end of this month until the end of January every nursery and garden centre in Israel will be selling bare-root roses. The cost for a single dormant plant is about NIS 3. You may choose your favourites from miniatures, landscape (ground-covering) roses, tea-hybrids, polyanthas, climbing roses or tree roses.



highly or moderately fragrant and in different colours and shapes. For those amateur gardeners needing a large quantity of roses I recommend the new catalogue of the well-

Varied choice

MUSIC REVIEWS

Technion Choir and Symphony Orchestra, concert No. 2, Dalia Atlas conducting with Vivian Fulop Shalev, soprano, Chaim Weizmann Auditorium, Kiryat Hachaim, December 9. Telemann: Amen, Praeludium and Minuet; Pachelbel: Canon in D; Schumann: The Song; Mendelssohn: "Fly Off With Me". Accompaniment: Michael Cogan. Villa-Lobos: Bachianas Brasileiras No. 5; Mozart: Extracts from the Requiem; Vespers, Laudate Dominum; Ben-Haim: Three Songs Without Words for Soprano and Orchestra; Bizet: Suite from "Carmen."

THERE WAS something for everybody in this varied programme of mostly choral choices. The evening started off well with four pieces for choir, the accompaniment competently played by Michael Cogan. The singing mostly was clear and clean, although there were young voices new to the choir experience, especially in the soprano group, in need of improvement in blending, fuller-scaled dynamics and sonority. The main attraction was guest singer Vivian Fulop from Venezuela. Singing with care and commitment, her voice clear and cultivated, she

presented the picturesque *Bachianas Brasileiras* with the right mixture of softness and feeling and was successful with the audience. The accompaniment of eight cellos was well-performed, the solo part played by Daniela Buchbinder.

The *Laudate Dominum* was less impressive, partly due to the fact that the orchestral accompaniment was too loud, overshadowing the soloist.

Fulop was a convincing interpreter of Ben-Haim's well-known *Three Songs Without Words*, arranged for soprano and orchestra. There was good cooperation between the soloist and the orchestral accompaniment.

Under the guidance of Dalia Atlas, the orchestra sounded good, showing an improvement in the standard of performance. The orchestra's members include students and teachers, both amateur and professional (mostly from the Haifa Symphony Orchestra). Atlas had a good understanding with the musicians, which resulted in a relaxed music-making atmosphere.

The evening ended with a lively rendition of the Suite from the opera *Carmen*. Most of the solo parts were played fairly creditably and the generous applause of the full-capacity audience was well-earned. ESTHER REUTER

THE JERUSALEM SYMPHONY ORCHESTRA—David Robertson conducting with Joseph Kalichstein, pianist, (Henry Crown Auditorium, Jerusalem, December 11). Beethoven: Leonore Overture No. 3; Prokofiev: Piano Concerto No. 2; Sibelius: Symphony No. 1.

THE JSO resident conductor has all the right moves. On the podium, from the audience's vantage point, he looks like a conductor. It was therefore a surprise to realize that he doesn't seem to hear what the audience hears, and that his communication with the orchestra, at those moments when a conductor's role is most vital to the music, is rather less than optimal.

The Beethoven overture is one of those war-horse curtain raisers of the concert hall: a competent, experienced orchestra can be wound up to play it at very short notice — indeed the piece will almost play itself. Robertson knows this and with a minimum of gesture, he allowed the work to unfold before the audience. This would have been fine, except that the dynamic level of his reading was colossal, more suited to the out-of-doors than to the limited size and muddy acoustics of the Henry Crown Hall. It resulted in a few moments of auditory pain.

While the volume came down somewhat for Prokofiev's best-known piano concerto, it was still too high to effect a balance between the soloist and the orchestra. Joseph Kalichstein, who may have learned his lesson the previous evening, wisely elected not to put up a fight. Under the correct assumption that even a concert grand piano cannot shout down a crowd, the soloist offered a cool and musically reading directed more to the IBA recording microphone, which could hear his efforts, than to the audience, which frequently could not. It was in the solo passages of the first and second movements that one heard

Kalichstein's clean, graceful and technically solid interpretation, and this listener would have liked to hear more.

Like all good Prokofiev, this work contains its share of tonal and rhythmic surprises, and in the latter department the music was ill-served by orchestra and conductor. Synopated cross-entrances within the orchestra were ragged, and several times the soloist and orchestra did not make it to the finish line at quite the same tempo. Altogether, it was a work which has lost none of its freshness and excitement over the past 60 years, and which deserved a more coordinated performance.

The Sibelius symphony is a youthful work in the best and worst senses. The composer was 34, and behind him already lay his hero-worship of Brahms and his early nationalistic music, including *En Saga* and the *Legende*. During this period the composer's addiction to musical nationalism gradually overpowered him until he overdosed. Wanting to say everything, lacking the restraints of an extra-musical programme and with Brahms and Tchaikovsky ringing in his ears, Sibelius's muse exploded, leaving a formless crater called the First Symphony. The work indeed says everything, far too much of everything — it shudders and blasts with youthful self-indulgence and sound and fury, signifying Finland to the young composer and embarrassment to the contemporary listener. It is the provincial bombast of youth, redeemed slightly by the inventiveness, drive and gusto of youth. Conductor Robertson is young enough to be taken by this music, to the extent of actually memorizing it and then bringing it to JSO audiences as the noisy climax to an unsettling evening. DANIEL ZIFF

RANDOMALIA

Miriam Arad

Life after Iran

ONE DAY you suddenly discover you don't know anything about anything. What's more, you learn that your picture of the world is all wrong.

We, naive fools that we are, had thought that both Israel and the U.S. were anathema to every Iranian, and vice versa. As for Saudi Arabia, we were told it feared nothing more than a victory of the ayatollahs. We even, believe it or not, had the idea that Israelis and Saudi Arabians were not on speaking terms, let alone on arms-dealing terms.

We read newspapers and listen to radio commentators — that's our great mistake.

Because all at once we find that nothing of what we thought we knew is so. Black, they tell us one bright morning, is white, up is down, goats are sheep. Our picture of the world receives a violent blast and shatters, and we blink and stare dumbly at the flying pieces.

Sometimes, as in the Iranian affair, it only takes a year or less for the truth (the *truth*) to come to light; sometimes it's 40 years later, when they open some government archive or other to make the historians happy. And then we find that Lehi — most fanatical of all pre-state Jewish undergrounds, commanded by our present prime minister — had maintained ties with the Nazis of Hitler's Germany. We feel nothing can surprise us after that, and only raise a mild eyebrow when it turns out that the chief of British counter-intelligence was a Soviet spy.

Then comes the Iranian arms deal and we realize they can still shock us.

And all of a sudden you ask yourself what good are your opinions, political or otherwise, if for all you know they are based on total error and misinformation. Give back the West Bank — not give it back. The peace with Egypt is good — it isn't. We are for or against the Soviets in Afghanistan, the Americans in Honduras, the Cubans in Angola, apartheid in South Africa, Rabbi Leviner in Hebron. Why?

We have informed opinions, do we? We are scared of the Syrians because they are armed to the teeth, and we hear they are hatching dark plots against us; but tomorrow it may turn out that Assad met with Peres in London last week, and they decided to pool resources and turn against their common enemy, Libya. We consider America our sole friend and ally, and one day some diplomat springs a leak and it emerges we have a mutual defence pact with China. We are stunned by Vanunu's revelations, but presently we shall learn that Dimona really is a textile plant, and the place where we produce our nuclear bombs is right under the Shalom Tower in Tel Aviv. Or that Vanunu isn't Vanunu at all but Reb Avraham Shapira, in disguise.

Well, what do we know? I mean, we may comfort ourselves a little with the thought that what we are pleased to call our opinions are largely determined by our upbringing, character and temperament. What counts in the final analysis is less what you know or don't, but whether you are, say, a gentle, live-and-let-live, or an aggressive, me-first-kind of person. And if that's the case, you may as well stick to your views and let the facts go hang.

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Lasers: Chemistry on the Light Side

The second lecture will be delivered on Tues., Dec. 23, 1986 at 4:00 p.m. in The Gerhard M.J. Schmidt Lecture Hall on

Laser Multiphoton Ionization

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PIANO MASTER CLASS

by

GREGORY HAIMOVSKY

December 21-26, 1986, between the hours 10:00-1:00 p.m.

at the Academy's Concert Hall, Givat Ram Campus.

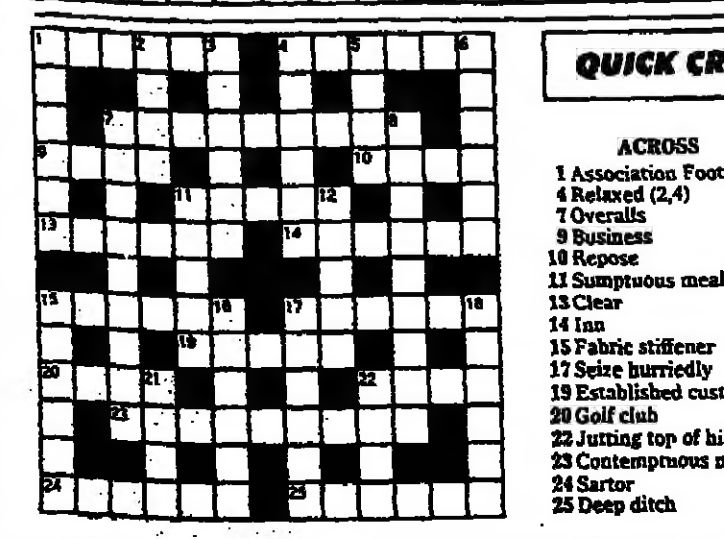
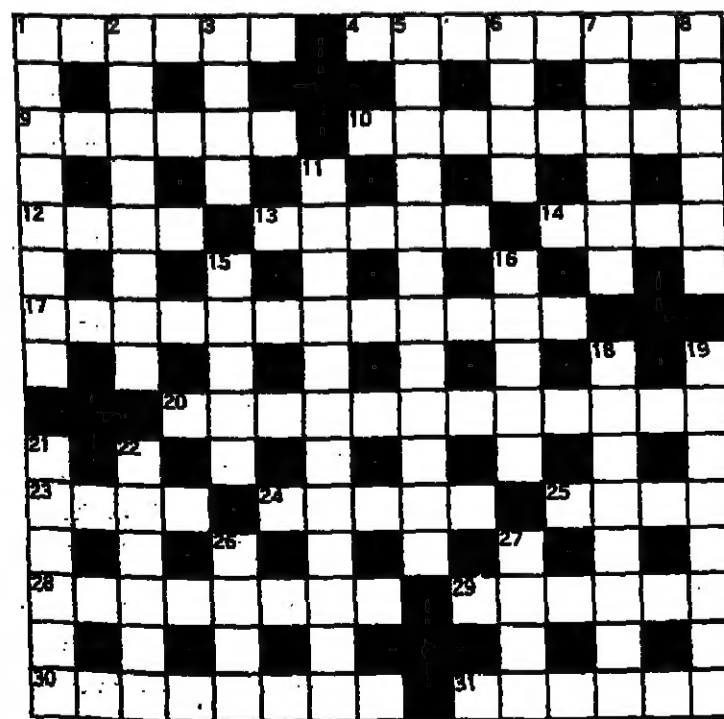
Musicians and music lovers are invited.

CROSSWORD

- ACROSS**

 - He is among the searchers, going for gold (8)
 - Here's hoping I spring a surprise (8)
 - Hemingway or Sterne, possibly (6)
 - Descriptive of Nero's beard? (8)
 - Space in church kept back for Weizmann (4)
 - Tendency of old penny to chink (5)
 - Fellow going to law has to show his muscles (4)
 - 7 & 29 Fare for a cowardly balloonist? (7,2,3,6)
 - Single state of each 0(Rh+) blood transfusion (12)
 - Behold! work for a branch-line (4)
 - Turnover's black-eye? (5)
 - Turn over the cash-box (4)
 - Early drink made from pear, if it is blended (8)
 - See 17
 - Once a week (8)
 - He is certain, in centre-courts, to have too much interest (6)
- DOWN**

 - Do local magistrates sit on one? (3-5)
 - Pot or tin basin, possibly (8)
 - Quarter given by Tom Brown's chum (4)
 - Siesta in film production for one in last four? (12)
 - "oney-producers' premises for American composer (4)
 - In winter, it depends on the gutter (6)
 - Many stars loose in theatrical environment (6)
 - Finish in Europe? (6-6)
 - Predatory gulls and southern diving-birds wheeling (5)
 - Character to raise the tone in a bar? (5)
 - 18 Nickname for a girl, say (8)
 - Dot and Laura involved with flatterer (8)
 - 21 What fotsam endlessly does when released? (6)
 - 22 Up-to-date fashion displayed by sailors (6)
 - 26 I am seen in the Putaki wilderness (4)
 - 27 Deep sea-fish (4)



SCRIBBLE PAD

YESTERDAY'S SOLUTION

TAKEDIDDLE

C O N C O S
F R E E T R A D E A R E A
L E N T F O C S
A W A R D E E S C R A M
S T E R T E R T G A
L O W I N G I R A P I E R
N E R A D I O A T
I N S U R E T O W N E R
G T T E R M S R N
T H E R A T X I S H O N E
T O H E S I L I O
G A M E S M I S T E R S
C I P A L E
P A R T Y L I N E

QUICK SOLUTION

ACROSS: 1 Spend, 4 Thrift, 9 Pig-tail, 18 Rival, 11 Rare, 12 Opposed, 13 Get, 14 Bye, 16 Post, 18 Rue, 20 Imagine, 21 Stir, 24 Alibi, 25 Avance, 26 Matter, 27 Ketch. DOWN: 1 Superb, 2 Eager, 3 Dear, 5 Hornpipe, 6 Invests, 7 Toledo, 8 Allot, 13 Gentive, 15 Pianist, 17 Disarm, 18 Relax, 19 Breech, 22 Taint, 23 Sark.

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ECI's embarks on strategy for profitability

From red ink to blue skies

By KEN SCHACHTER
TEL AVIV. — Even for a company founded by a group of Israeli Air Force officers, ECI Telecom has faced some heavy flak.

Four consecutive quarterly losses through this year's third quarter, a plummeting stock price on the U.S. over-the-counter market, and, what company officials see as onerous currency regulations imposed by the Israeli government.

All this has chastened top management who had watched the company's exports grow from \$49,000 in 1979 to about \$20 million in 1985.

Will ECI Telecom reach blue skies? Industry analysts are far from dependent over the company's turn-

substantial sales, 65 per cent of the company's business is now in the civilian sector. And it is here that the company is hoping to regain lost ground.

The stars of ECI's product line are its circuit multiplication systems, which increase the number of conversations a telephone cable can accommodate. Twenty out of 21 companies that own shares in the first transatlantic fiber optic telecommunications cable chose ECI circuit multiplication systems. Among the companies are such giants as AT&T and GTE Corp. ECI's DTX-240 systems, which will go on-line in mid-1988, are designed to increase the cable's capacity five-fold.

In its military line, the company

the government's move in mid-1985 unofficially linking the shekel to the dollar. So far, Laiser estimates, the shekel-dollar linkage has cost ECI \$3 million by effectively raising labour costs and changing the terms of export.

Whatever the reason, there's no denying that ECI has been foundering. For the first three quarters of 1986, the company reported a net loss of \$6.2m. or \$1.23 per share, compared with earnings of \$1.1m. or 23 cents a share, for the first nine months of 1985.

The company's sluggish performance, meanwhile, has pushed the price of a share from 7¼ at the end of 1985 to 2½ now.

To staunch the tide of red ink, ECI has adopted a multi-faceted approach. For example, the company is aggressively seeking co-production arrangements for its Digilook system, which links two telephone subscribers over a two-wire loop.

Every country will need a large quantity, Laiser said. "Our philosophy and strategy is to find a good partner in each country in order to ensure [we receive] part of the cake. It's better to cooperate and not to try to fight domestic suppliers."

To cut costs, ECI has laid off about 15 per cent of its work force and instituted salary cuts ranging from 6 per cent to 15 per cent.

Still, unanswered questions remain. Will the new streamlined ECI be up to the formidable production and marketing tasks it faces? Will it be able to sidestep the cost overruns that have plagued it in the past?

Laiser points to a \$34m. orders backlog — a record level for the company — as proof that the ECI's future is bright.

And even though he is critical of ECI's big-score philosophy, the industry analyst acknowledges that there is a flip side to such an approach.

"If you get a project, and it's a big project, it turns thing around quickly," he said. "Suddenly you get three big projects, and you're laughing all the way to the bank."

installs communications systems linking a control centre, an airport tower, ground crews and aircraft on alert. The system is designed to thwart the electronic prying of enemy eavesdroppers. The line also includes a truck jam-packed with electronics equipment that is essentially an airport control tower on wheels. The mobile control tower is intended for rescue missions or emergency use on airstrips.

One industry analyst familiar with ECI praised Laiser's administrative capabilities and the company's success in competing "against all opposition."

But, he said, "the fact is, they've been losing money."

At least part of the problem could stem from the company's lack of an "off-the-shelf" product that could provide a steady stream of income. "They always go for the big projects," he said.

Laiser ascribes ECI's lean times partly to a slump in the sales of its circuit multipliers, but primarily to

ound prospects. Yet, as even President and Chief Executive Officer Mair Laiser acknowledges, "You can't do it in a day."

The company was founded in 1961 by Air Force officers hoping to provide some of the military's electronics needs. And even after the company was acquired by Cial Industries Ltd. in the early 1970s, it remained largely dependent on its Defence Ministry military contracts.

The turning point came, ECI officials say, when the company made a major foray into the civilian market by introducing a line of equipment at Telecom Geneva, the Olympics of the communications trade shows, which is held every four years.

"That really started all the international activity," Laiser said.

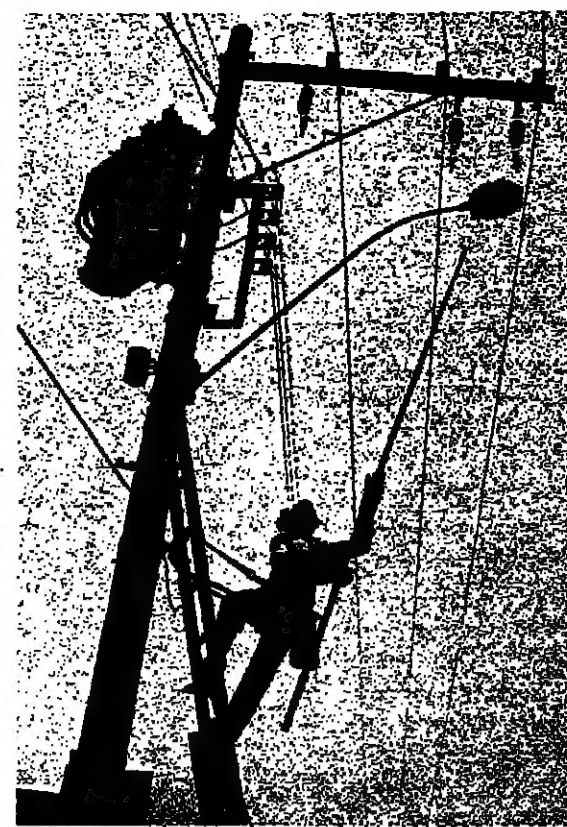
ECI hopes to expand its exports, which account for about 75 per cent of sales, through its offices in such far-flung locales as Singapore and Panama.

But while such military and para-military contracts still account for

China steps up borrowing, while Brazil grapples with old debts



A Chinese television-assembly plant; a Brazilian lineman erecting electric-power lines. (UPI, World Bank)



A weight on Brazil's economy

SAO PAULO, Brazil (Reuters). — Renewed worries on economic performance beset Brazil, the biggest debtor in the developing world.

A meeting of the Paris Club of Western creditor nations might take place on December 18 in Paris to consider a Brazilian rescheduling request on its \$103 billion of debt. But the session has not yet been confirmed officially.

Brazilian trade unions meanwhile called an unprecedented one-day general strike last Friday to protest against price rises and also urge a default on the debt.

Neither President Jose Sarney nor Finance Minister Dilsen Fumero favour options as radical as a debt moratorium, but both stress that something must change.

"If debt is to be paid, it will have to be serviced at a much lower cost in years to come," Fumero told bankers in New York on December 5. "The strategy of pumping out trade surpluses to pay debt has run its course."

Political analysts said the more assertive tone reflected abrupt changes in Brazil in the past few weeks.

Optimism on the economy earlier this year sprang from the price freeze Sarney imposed last February. It ended triple-digit inflation and led Brazilians to embark on a spending spree.

Sarney is the first civilian ruler in more than 20 years and after a succession of five rather dour generals, his open, informal style and apparent success in fighting inflation won approval at home and abroad.

But in November he became the focus of riots in Brasilia. He was booed and his popularity ratings plunged.

His government had lifted the price freeze just six days after the ruling Brazilian Democratic Movement Party (PMDB) won a landslide victory in state and congressional elections on a platform promising price controls. Cars, cigarettes and alcohol prices doubled, and fuel went up by 60 per cent. Prices also soared on sugar, electricity, and postal and telephone services.

"The government lost a lot of its credibility," said economist Antonio Lanzana of the University of Sao Paulo. "The move was widely regarded as a betrayal."

Lanzana and other analysts believe the government waited too long before raising prices, putting electoral expediency first.

Sarney says prices had to rise because of problems that included capital flight, high domestic interest rates, the fall of Brazil's currency against the dollar on the black market, a drop in reserves and low export levels.

Until September, officials predicted a 1986 trade surplus of at least \$12b., about the amount needed to service the nation's debt. Now the surplus is expected to be lower.

From January to August, it averaged more than a billion dollars a month. But this fell to \$840 million in September and to a four-year low of \$221m. in October.

Drought hit the coffee crop last season, while imports of food, raw materials and machinery rose to sustain industrial production and the consumer boom.

Bankers said the trade surplus had enabled Brazil to avoid seeking new loans and refuse international monetary fund supervision of its economy. The smaller surplus means it must dip into reserves to meet debt payments. Reserves are down around \$5b. from \$10.4b. in mid-June, which officials call intolerable.

Economist Lanzana said he doubted if Brazil could meet its debt-servicing costs next year without renegotiation. He forecast that economic growth, expected to reach 11 per cent this year, would be between zero and 2 per cent next.

New view from Peking

Foreign credits key to growth

PEKING (Reuters). — China, which a decade ago prided itself on being self-reliant, is today rapidly incurring foreign debt in a drive to modernise the economy.

"China has completely discarded the Maoist maxim of total self-reliance," a European banker said.

Western bankers and diplomats estimate that the nation, short of domestic capital, will use \$30 billion to \$40b. in foreign loans between 1986 and 1990, more than during any period since the communist takeover in 1949.

"The strategy of the current leadership is simple — if you use foreign capital carefully, you can complete many more projects than if you don't," said the European banker.

Chinese leader Deng Xiaoping, mastermind of the new strategy, says his goal is to quadruple total output by the year 2000 from the 1980 level.

Banks, wary of new lending to existing debtors in Africa and Latin America, are intrigued by prospects in China, the world's most populous nation which has no overhang of debts. More than 100 foreign banks have opened offices in China.

The People's Daily has said China would use \$5b. in mid- and long-term foreign loans this year, double the 1985 level.

"China will have to use more such commercial loans in future," a Western diplomat said. Until now, it has relied mostly on low-interest loans and export credits from the World

Bank, Japan and other developed countries.

"The funds available from these sources are limited. To meet its needs, China will look more to commercial banks. The bottom line is modernization," the diplomat said.

Hiroshi Okada, Peking representative of the Export-Import Bank of Japan, estimated China's borrowing needs for the next five years at \$40b. with its mid- and long-term debt at about \$11.6b. at the end of June this year.

"China's foreign debt is very low by standards of other developing countries and could be doubled without any problem," the diplomat said. "It's credit-worthiness is very good."

Peking has taken advantage of its popularity with foreign banks by acquiring loans at very low interest rates, as banks compete with each other for business. The European banker said that European and American banks had up to now found it difficult to compete in China with banks from Japan, which offer very low profit margins.

"But this should change. In the past only the Bank of China could borrow from abroad. Now other institutions are allowed to, which should mean more competition for our funds and better margins for us," he said.

Okada said Japan still remained the natural source of funds for China. "The Japanese banks have so much capital. China should rely on them."

Although the banks expect to get more business, other difficulties will arise.

"Chinese institutions treat information that is freely available in other countries as secret," the diplomat said. "This means my government cannot provide credit checks on firms in China that it can elsewhere. It is very difficult to evaluate the credit-worthiness of potential borrowers."

Another problem is an incomplete legal system, one that does not have a national bankruptcy law because of differences of opinion among top policy-makers. "What happens if a lender goes bankrupt? Where will foreign banks stand in the line of creditors," the diplomat asked.

But the hazards did not deter the New York Stock Exchange from arranging a big symposium earlier this month in Peking, at which top names from Wall Street lectured China's leading bankers on how to raise money and handed out name cards — in the hope of a lucrative phone call soon.

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Speakers:

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ECONOMIC NEWS

MARKET PLACE

Sitting on the sidelines

The signs of relief could be heard all the way to Jerusalem when yesterday's trading session passed smoothly. Many shares rose, plenty fell, and all in all it was business as usual. But what next?

It would seem that an excess of caution might be a good thing right now. While it might be agreed that the danger of a major collapse is negligible at this time, and the assessment that the market has adjusted itself to the probability of a turnover tax seems accurate enough, it is nonetheless hard to find a rationale justifying aggressive purchasing in the share market.

On the contrary, a long list of reasons for sitting on the sidelines seems to add up to a lot of sense:

One: The market rose steeply for several months prior to the recent events. On a technical basis, it was overbought and could pull back some way further.

Two: The money needed to fuel a renewed advance is lacking. The market is being bled by the need of many investors to divert funds to provident and pension funds, advanced-training funds and savings schemes, and to bring down over-draft levels before the end of the tax and business year.

Three: Last but not least, the ongoing ferment around the new economic plan, and the continued uncertainty as to its exact components, most notably the treatment of stock exchange investments, leaves the market vulnerable to further bouts of selling. These may not be as violent as last week's - and last week's, as we noted then, was minor compared to previous storms sparked by tax rumours - but they will exert downward pressure.

As against these seemingly powerful arguments, it may be said that the institutions have the means and the inclination to step in and buy when prices are falling, so that if selling pressures do emerge they will not become overwhelming. There is also the tradition of year-end "window-dressing" by the funds, to improve their performance by pushing prices up a bit. This, however, is not necessary this year, since returns have been generally good, and in any event will come into play in the final days of the month.

The net result of these contrary factors is to suggest a flat-to-weak market over the coming days, and probably until both the year-end disorders are out of the way and the economic plan is known in all its detail. Certainly, it is difficult to imagine buyers doing anything more than limited bargain hunting in the present atmosphere.

The "arrangement" shares, by contrast, have remained unaffected by last week's hullabaloo, because they are "existing government obligations" and therefore will be left untouched by any new laws. Their yield has crept back up over 16 per cent and this is reason enough to focus again on their double attraction.

In a nutshell, this is that if things go wrong, their dollar-linkage will provide protection. Conversely, if the plan meets the hopes of the optimists, inflation and interest rates will go down, and with them the yield on the bank shares in the arrangement. Holders will chalk up a short-term capital gain, as a result, without having to wait for the final redemption date in October 1988.

Longer-term investors, for whom the arrangement's remaining 22-month lifespan is not sufficient, may find index-linked Galilee peace-tie bonds of interest. If the reforms bring with them as tax on the interest on new bond issues, existing issues will obtain premium value - in other words, their price will go up. This, however, is more risky than the arrangement scenario, but on the other hand, the 10-year lifespan of the Galilee bonds gives them much greater leverage, so that each percentage change in their yield translates into much larger price changes.

Opec adjourns price-fixing parley Iran-Iraq enmity delays accord

GENEVA (AP). - Opec ministers suspended talks until today after failing to reach final agreement on a plan for cutting oil production and raising prices.

Several of the oil ministers said after four hours of talks Saturday that they remained hopeful of overcoming the obstacles to an accord, including conflicting demands by Iran and Iraq. The two cartel members have been at war since September 1980.

Under terms of what sources said was an informal agreement among the ministers not to talk to reporters, the delegation chiefs were unusually tight-lipped on the third day of their conference.

Fawzi Shakhshuki, Libya's oil minister, said he still was hopeful that a formal accord could be reached today.

Asked why the ministers decided not to meet yesterday, he said, "Our Christian brothers want to go to mosque, uh, church." At past Opec

meetings, however, the ministers routinely have worked on Sundays. The 13 cartel members agreed in principle Friday to reduce output by at least 5 per cent starting January 1. But key details remained unresolved, several of the oil ministers said.

Analysts said they believed a cut in oil production by the Organization of Petroleum Exporting Countries would push prices higher, perhaps to the cartel's short-range target of \$18 a barrel. Prices now range from \$13 to \$16.

The major stumbling block is a dispute between Iran and Iraq, said Etienne Tchibba, oil minister of Gabon.

Iranian Oil Minister Gholamreza Aghazadeh is insisting that Iraq accept a production quota that would reduce its output more than any other member, according to sources speaking on condition of anonymity.

The Iraqis refused, saying they

must either be exempted from the proposed pact or be allowed to produce as much oil as Iran, the sources said. Iraq is exempt from Opec's current production agreement, which is due to expire December 31. Tchibba said among other obstacles to final agreement was a dispute over how long any production cuts would last and whether his country and Ecuador would be exempted from the cuts because of their dire financial straits.

The new Saudi Arabian oil minister, Hisham Nazer, maintained his public silence. He smiled and talked with other ministers during breaks in the closed-door deliberations, but refused to talk with reporters.

Delegates to the conference reported that Opec ministers were holding intensive talks during yesterday's break to overcome political and technical problems. They said ministers were meeting bilaterally and in small groups to try to remove obstacles.

Labour strife stops Zim ship from docking

By YA'COV FRIEDLER
HAIFA. - The Marine officers' union yesterday struck its biggest blow yet in the battle over manning ships when it refused to allow a giant 160,000-ton Zim collier to tie up at the Hadera coal pier.

The ship, sailing under a foreign flag and with a foreign crew, was lying off the coast as of last night, with a full cargo of coal from South Africa. The union is demanding that Zim Navigation Co. replace the crew with an Israeli complement, despite the fact that the collier often has to call at ports that do not accept Israeli ships.

Indeed, Zim has asked that the ship not be identified by name. One of Zim's colliers, the M.S. Hadera, is under contract to the National Coal Co. for regular coal shipments to Hadera. However, its sister ship has been forced to seek work on the depressed international market and has been chalking up losses for Zim.

HISTADRUT

(Continued from Page One)
in the capital market should be directed towards encouraging industry and exports, and should be accompanied by a lowering of interest rates.

Earlier decisions to impose property and inheritance taxes should be implemented without harming the savings funds.

Tax reform should benefit salaried workers without unilaterally cancelling or changing labour contracts.

No taxes should be imposed on health, education and welfare services.

Histadrut economists have calculated that under the proposed reforms salaried employees earning between NIS 600 and NIS 5,000 would lose income, while those making more than NIS 5,000 will retain more. Those earning between NIS 2,000 and NIS 3,000 a month are likely to lose the most, it was said.

Members of the Labour faction in the Central Committee yesterday cabled their party's general secretary, Uzi Baram, demanding a meeting with party leaders to discuss the proposed reforms.

Trade union and labour council leaders from all over the country are to meet today to coordinate their opposition to the programme.

CURRENCY BRIEFS

Dollar heads into pre-Christmas holding pattern

The dollar closed slightly lower on Friday after moving within narrow ranges throughout the week.

The chief reason, beyond a clear lack of direction for the U.S. currency, was the coming Christmas holidays, which promises to discourage any large position-taking in the coming weeks, as well. With volume falling off, any large order could potentially move the market.

Generally, the dollar enjoys strong year-end corporate demand, but this was not in evidence last week.

The economic data released for the week was favourable to the U.S. currency, with most figures pointing to a strong third quarter in the U.S. The statistics coming out of West Germany and Japan were less bullish.

In U.S. retail sales rose 0.5 per cent, in line with market expectations, and thus failed to have much effect on the dollar either direction. But November employment figures were encouraging.

The pound sterling did not benefit from the \$1 rise in oil prices, precipitated by early indications that Opec would reach an accord on raising prices. The pound's failure to take advantage of the situation is an indication of the currency's basic weakness.

The French franc came under pressure following student riots but gained later in the week when the government dropped its controversial plan to reform the university system.

Last week's action reflects the underlying strength of the dollar, which has gradually shaken free of its generally downward trend. For the time being, it appears to have entered a neutral position, with the Swiss franc and Deutschmark likely to show strength this week. But both currencies should show renewed weakness at month's end.

The yen and pound will remain stable, with the latter supported by the recent rise in oil prices.

The column appears courtesy of Boaz Barak Advisory Services.

Wall St. bars Boesky

NEW YORK (Reuters). - Ivan Boesky, the Wall Street speculator charged with insider trading a month ago, was suspended as a member of the New York Stock Exchange Friday and barred from associating with other members.

On November 14 Boesky paid a \$100 million penalty to settle civil charges of insider trading levelled by the government and agreed to plead guilty to an unspecified criminal charge.

Tel Aviv Stock Exchange

MARKET STATISTICS

Indices:		Turnovers:		4.25% fully-linked	
General Share Index	121.41-0.02%	Shares - total	NIS 12,293,400	30% linked	Mixed to 2%
Non-Bank Index	155.32-0.08%	Arrangement	NIS 2,234,800	Generally stable	Stable/rises to 1%
Arrangement	107.13+0.02%	Non-bank	NIS 10,048,600	Double-linked	Falls to 2.5%
Insurance	175.22-0.05%	Bonds - total	NIS 4,460,600	Admon	Rises to 1%
Commerce, Services	188.58-0.20%	Index-linked	NIS 2,143,000	Rimon	Falls to 1%
Real Estate	191.19-0.44%	Dollar-linked	NIS 2,317,400	Gilboa	
Industrial	139.29+0.26%	Treasury Bills	NIS 3,039,300	For. Curr. denominated	
Textiles	197.66-0.58%			Treasury Bills (annual yield)	20.30%-21.55%
Metals	154.88-0.49%				
Electronics	122.28-0.15%				
Chemicals	131.20 UC				
Industrial Invest.	135.96+0.19%				
Investment Cos.	157.76-0.59%				
General Bond Index	119.89+0.33%				
Index-linked Bonds	117.44-0.35%				
Fully-linked	112.28+0.46%				
Partially-linked	116.45-0.24%				
Dollar-linked Bonds	95.11+0.29%				
Short-term 0-2 yrs	113.03-0.22%				
Medium-term 2-5 yrs	114.41+0.27%				
Long-term 5+ yrs	108.84+0.48%				

SELECTED PRICE QUOTATIONS

Name Price Volume % '000NIS change				Trade & Services			
Commercial Banks				Meir Etra	1143	966	-
(not part of "arrangement")				Supanet 2	7300	2890	-
Maritime	1089	4255	-2.7	Meir 2	3110	5248	-
General non-arr.	20900	66	+1.5	Lighterage	14100	21	-
First Int'l	3314	2084	-	Cold Storage	1895	381	+3.2
FBI	4260	3658	-	Dan Hotels	1431	276	+1.9
				Yarden Hotel	2500	348	+1.1
				Hilton	24400	28	-2.0
				Team 1	1801	693	+0.1
Commercial Banks							
(part of "arrangement")				Real Estate, Building and Agriculture			
IBR	81500	288	+0.1	Azofim	792	7293	-
Union 0.1	80550	114	-	Elion	520	30238	-
Discount	104300	165	-	Africa Int. 0.1	11465	52	-2.2
Mizrahi	35610	648	-	Dankner	4450	278	+3.5
Hapoelim r	55420	971	-	Prop. & Bldg.	2955	4559	-1.5
General A	141650	39	-	Bayside 0.1	4130	428	-
Leumi 0.1	35320	2364	-	ILDC r	not trading	122	+10.0
Fin. Trade	46790	-	+0.0	Pasoor r	8488	501	-2.0
				Mahadrin	8650	1424	-0.7
Mortgage Banks							
Leumi Mort. r	4440	152	-0.3	Industrials			
Dev. Mort.	2175	470	-	Dubak b	4230	2096	+1.1
Mishkan r	2391	451	+0.8	Pr-Ze 1	not trading	52	+1.0
Tefahot r	16650	131	+1.0	Sunifrost	17800	421	-
Mervar r	9830	150	-2.0	Elire	523	3583	-0.3
				Argaman r	15650	120	-
Financial Institutions				Delta G 1	2515	2090	+2.3
Agrie C	not trading			Melquiste 1	5090	346	-
Ind. Dev. DD	not trading			Elgie 1	14300	42	+3.2
Clal Leasing 0.1	18800	30	-6.0	Polgar	3480	749	-0.6
				Schoellerlars	13920	101	-
Insurance				Rogosin	not trading	370	-3.5
Ararat 0.1 r	1370	788	-4.2	Urden 0.1 r	8900	304	-
Hassanah r	314	61720	-	La Can Co.	2625	1893	+0.4
Phoenix 0.1	882	4958	-	Zion Cables	2300	870	-
Hamaishar	5630	23	-1.0	Pecker Steel	14700	545	-
Menorah 1	2110	28	-	Elbit	38600	18	-
Sahar r	5645	368	-				
Zion Hold. 1	8730	-	-				

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FINANCIAL DATA: ISRAEL, EUROPE, U.S.

ISRAEL MONEY MARKETS

SHEKEL INTEREST RATES
PRIME BORROWING RATE: 1.58% per month
Unlinked Deposit (Annual Rates)

	Last Updated	Tapas	Pakam 7-Day	Pakam 30-Day
LEUMI	12.12	7-16.00%	8-16.50%	9-16.75%
HAPOALIM	8.12	7-16.50%	11-17.00%	13-19.00%
DISCOUNT	19.11	10-16.00%	10-16.50%	14-20%
MIZRAHI	1.12	8-17%	6-17.50%	6-19.50%
FIRST INT'L	11.11	10-16%	11-17.20%	13-19.50%

Rates vary according to size of deposit.
(Tapas: demand deposit paying daily interest.
Pakam: fixed-term deposit available from 1 to 59 days.)

PATAH - FOREIGN CURRENCY DEPOSIT RATES (December 12)

	MINIMUM DEP	3-MONTHS	6-MONTHS	12-MONTHS
USD (\$100,000)	5.375	5.375	5.375	5.375
STG (£10,000 pounds)	8.750	8.750	8.750	8.750
DMK (100,000 marks)	4.000	3.875	3.875	3.875
SFR (50,000 francs)	3.625	3.850	3.850	3.850
YEN (3,000,000 yen)	3.000	2.875	2.875	2.875

Rates vary according to size of deposit and are subject to change.

SHEKEL FOREIGN EXCHANGE RATES (December 12)

		CHEQUES AND TRANSFERS		BANKNOTES		Rep. Rates	
		Buy	Sell	Buy	Sell		
Currency basket	1	1.4870	1.5050	1.485	1.4935		
U.S.A. Dollar	1	0.7346	0.7438	0.72	0.7382		
Deutchmark	1	2.1201	2.1466	2.06	2.16		
Pound Sterling	1	0.2240	0.2268	0.22	0.23		
Japanese Yen	100	0.5106	0.5122	0.58	0.52		
Dutch Florin	1	0.6493	0.6575	0.63	0.66		
Swiss Franc	1	0.8745	0.8854	0.85	0.89		
Swedish Krone	1	0.2129	0.2156	0.21	0.22		
Norwegian Krone	1	0.1566	0.1580	0.19	0.20		
Danish Krone	1	0.1943	0.1967	0.18	0.20		
Finnish Mark	1	0.2986	0.3034	0.29	0.31		
Canadian Dollar	1	0.7071	0.7117	0.69	0.71		
Australian Dollar	1	0.8791	0.8913	0.83	0.82		
S. African Rand	1	0.5641	0.5724	0.43	0.44		
Belgian Franc	10	0.3504	0.3548	0.34	0.36		
Austrian Shilling	10	1.0556	1.0656	1.02	1.07		
Italian Lira	1000	0.0098	0.0103	0.009	0.0105		
Jordanian Dinar	1	0.47	0.43	0.47	0.43		
Egyptian Pound	1	0.74	0.79	0.80	0.80		
ECU	1	1.5305	1.5487	1.51	1.5381		

SUPPLIED BY BANK LEUMI

EUROPEAN FINANCIAL MARKETS

(December 12)

PRECIOUS METALS

GOLD: LONDON A.M. FIX 389.70 P.M. FIX 391.50
PARIS NOON FIX 390.57 ZURICH P.M. 391.95

SILVER: LONDON FIX 537.25

PLATINUM: LONDON P.M. 485.00

PALLADIUM: LONDON P.M. 117.65

FOREIGN CURRENCY CROSS RATES (London 15.30GMT)

Forward Rates (December 12)

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The shakedown

WHEN the economic stabilization plan launched on July 1, 1985 started to prove a success, thus confounding quite a number of local critics and doomsayers, the happy conclusion began to dawn in some quarters that, if only the dragon of hyperinflation were properly slain, all would be well and the country could safely return to what was described as normal. That was an illusion. Israel could not go back to "normal" until it redefined the term - by reducing inflation to a single digit, by resuming genuine economic growth and by rethinking its entire economic structure.

It is now safe to predict that the country is indeed in for a second stage economic plan, and that it will centre on the twin reforms of the tax system and the capital and money markets. The same degree of certainty is not yet available, however, with regard to the government's budget, especially the issue of reduced spending, rather than merely charging for services and raising the prices of subsidized goods. Most mainstream economists attach greater importance to the budget issue, and their views may well be put to the test soon enough, because an agreement on cutting the budget seems further off than any other element - and the announcement of large savings for Israel via lower interest payments to the U.S. could not have been worse timed from their point of view.

Thus, the hectic round of meetings that are taking place at almost every hour of the day and night are concerned with the content of the plan, not its outline.

Every major group in the economy is convinced of the need for reforms, and the struggle between the various groups is over who will benefit more and who will give up more in the massive redistribution that is scheduled to take place. This, of course, is perfectly legitimate and desirable in a democratic society; interest groups are the vehicle for expression of contending social and economic forces, and any objective analysis must recognise the validity of contending claims.

The final package will reflect these interests and the forces they represent. It is, therefore, reasonable to predict that it will satisfy no one completely nor, hopefully, leave any group totally out in the cold. The reformist camp can, nevertheless, take heart from the fact that the degree of consensus between the main parties, at least, is much greater than existed as recently as a few months ago.

The primary reason for this development, and the explanation of the speed with which major changes are taking place in the economy, is to be found overseas. The single outstanding event there was surely the passage of the U.S. tax reform, after which an Israeli tax reform involving significantly lower tax rates and a broadened tax base, became an inevitability. It would seem that Israel is not alone in this, and that every Western economy will be forced, like it or not, to get into line with the American model.

It is the apparently innocuous phrase of "a broadened tax base" which is at the heart of most of the ongoing maneuvering, because this means the abolition of long-cherished, and often hard-won exemptions, reductions and various forms of special treatment.

In political terms, this seems to involve the Liberals seeking to maximize the benefits accruing to the uppermost income brackets, the mainstream Labour Party looking to switch that focus to the mass of middle-income earners, while other Labour elements and parts of the Likud aim to prevent the lowest brackets losing out, and the religious parties work to keep the benefits they have won over the years for their constituencies.

All this is further complicated by overlapping in both the socio-economic and political labels, so that the attempts to present the great debate along strict party lines have been confounded.

The starting point of the debate, though, is that lower taxes are needed to provide an incentive to entrepreneurs and workers to invest time, money and effort in this country. It is the terrible phenomenon of Israelis, and especially young ones, "voting with their feet", that underlies the cross-party agreement that change is urgently necessary.

In this atmosphere of urgency, there are many hitherto "sacred cows" that are up for slaughter, and each interest group is having to make hard choices over which to defend at all costs, and which to forgo. For this reason, the insistence of the Labour Party on consultation between all the major groups, and on progress by consensus, is especially appropriate at this time.

But the urgency must be maintained, and consultation cannot be allowed to become an excuse for rearguard actions causing delay for its own sake. We can be thankful to Opec for their warning to us that time is not necessarily on our side, and for the reminder that the opportunity created by internal and external events in the last 18 months must not be squandered.

SHARIR

(Continued from Page One)

that Nakash had falsified his application for citizenship under the Law of Return, Zemach said that "we are spitting in the faces of people who undergo untold suffering in order to gain Israeli citizenship when we allow people like Nakash to misuse it in order to escape punishment in a foreign country."

Nakash's attorney, Roland Roth, is also expected to present his affidavit to the High Court today.

Roth is expected to emphasize the "injustice" of Sharir's decision, labelling it "an act of state." Roth will also cite the promises allegedly made by former justice minister Yitzhak Moda'i and then prime minister Peres not to extradite Nakash as evidence of Sharir's "reasonable considerations."

He also emphasized the potential danger to Nakash's life in a French

jail. He told The Post last night that Abdelati Hakkar, the victim of Nakash's February 1983 Besancon killing, belongs to a 1,200-strong North African criminal clan, 300 of whom are currently serving time in French prisons.

Roth cites a November 21, 1986 report in the French paper L'Est Republicain as evidence of the Hakkar family's clout in French prisons. The report describes the arrest of a prison warden in the town of Auxerre (where the Hakkar murdered a policeman in 1984), for allegedly assisting Abdel Hamid Hakkar in a failed attempt to escape from prison.

Roth met with his client yesterday.

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Kahane's contribution to constitutional law

Allen E. Shapiro

KNESSET MEMBER Meir Kahane has made another distinctive contribution to the development of the constitutional law of Israel. On December 1, the High Court of Justice confirmed the right of Knesset Speaker Shlomo Hillel and the five deputy Speakers to refuse to table Kahane's legislative proposals, which they found to be racist. The Knesset president had acted in accordance with a Knesset rule, adopted at the prompting of the court in an earlier case, in which it had been held that the Speaker had no inherent right to reject objectionable racist proposals of the Kach leader in the absence of Knesset authorization.

The new decision provoked the wrong press reaction, as though only now, at long last, had the high court recognized the danger of Kahane. This was primarily triggered by Justice David Levin's trenchant argument that Kahane should have been refused judicial consideration as he came to the court with unclean hands, and the substance of his petition did not give him the right to invoke the intervention of a body whose task is the furtherance of justice.

In the five-judge panel, however, Justice Levin remained alone in his view of the law, if not of Kahane. On that subject, each of the justices had made his views clear on previous occasions. The new decision does not signify a new recognition of the danger he represents. None of the justices has ever doubted or belittled it.

The decision does, however, reflect a new recognition of the changing relationship between the courts and the Knesset. Long after the Kach phenomenon has passed from the scene, the case may come to be regarded as a milestone in the development of the constitutional structure of the state, in terms of the interdependence of the executive branches of government, the judiciary and the legislature.

A new area of judicial intervention in the law-making process has opened up. Its boundaries remain to be defined.

THE NEW Knesset rule provides that "the Speaker of the Knesset and the deputies will not approve presentation of a bill which, in their opinion, is racist in character or denies the existence of the State of Israel as the state of the Jewish People."

In effect, this is a power of veto in

the hands of the Knesset president with regard to subjects whose definition is imprecise, and may alter in time.

The bulk of the main judgment of the court, written by its president, Justice Meir Shamgar, presents a reasoned defence of the legitimacy of the Knesset rule. With reference to the application of the rule to Kahane's legislative proposals, Justice Shamgar points to the "derivative question... if, after the Knesset has determined the areas of permissible legislative initiative, it has properly exercised its discretion with regard to standards which it has set for itself."

On this matter, Justice Shamgar states that the court should be guided by its traditional self-restraint with regard to intervention in the legislative process. The court, he declares, does not sit as a forum for appeal from the decisions of the Knesset president. Therefore it will not interfere with the discretion of the Speaker and his deputies.

BUT WILL THIS always be true? The answer is not clear.

Shamgar's bottom line is that "I do not find justification for our intervention in the subject before us, which pertains to the exercise of powers according to the rule and pursuant to the principles therein designated." (Emphasis in the original.)

Apparently there is nothing in Shamgar's judgment that required Justice Aharon Barak to retreat from his explicit pronouncement in the earlier Kahane case, before the Knesset had amended its rule, that in exercising their authority to approve a proposed law, the Speaker and his deputies do not have absolute discretion, but are bound by the ordinary considerations of reasonableness, lack of arbitrariness, or discrimination. The discretion must be exercised, he declared, to carry out the purposes of the law from which their authority is derived.

While in the recent case Barak simply signified his agreement with the judgment of the president of the court, Justice Menahem Elon wrote a separate opinion, whose burden is that the court should not intervene to review the discretion of the Knesset president.

Elon's argument is with Barak, from whose opinion in the previous

case he quotes at length. However, if he thought that Shamgar had decisively rejected Barak's approach, or that the matter was no longer an issue, it is difficult to understand why he went to all that trouble: he was knocking at an open door.

THE CONCLUSION may be advanced, with caution, that the court might, in proper circumstances - say, a clear case where the president has flagrantly disregarded the principles of rule, regard judicial intervention to be appropriate.

Suppose, for example, that a future Knesset president were to table the same Kahane proposals as those involved in the recent case. Suppose further that a member of the Knesset, belonging to an anti-racist splinter party, were to petition the High Court to order the president to reject the proposals in accordance with the rule. Would the court intervene? Could the new Knesset rule, enforced through judicial review, become a true power of veto on proposed legislation, even legislation supported by a Knesset majority?

This is the sort of possibility opened up by the recent court decision. It should be recalled that the new Knesset rule mandates the rejection not only of racist legislative proposals, but also of laws that deny the existence of the state as the state of the Jewish people. To date, this has been regarded as a defence mechanism against alleged subversives, and was added to the Knesset rule as part of the same balancing act that led to the attempt of the Knesset elections committee to keep both Kach and the Progressive List off the ballot.

In time, however, the Jewish character of the state may come to have a value content. Justice Elon, for example, has moved to incorporate the libertarian principles of the Declaration of Independence in the Jewish heritage, as assimilated into Israeli law under the "Foundations of Law" statute. If the Jewish character of the state were conceived in the vision of the humanistic ideals of Zionism's forefathers, then a judicial veto power, however indirect, over proposed legislation would take on additional meaning.

Today, this seems like a dream. But dreams were once considered a legitimate element in Zionism. And so is the power of a rule of law to expand to the limits of its logic.

The writer, a member of Kibbutz Degania Aleph, is a political scientist.

READERS' LETTERS

'RAFAH' SURVIVORS

To the Editor of The Jerusalem Post
Sir - December 21 will mark the 40th anniversary of the sinking of the "illegal" immigrant ship "Rafiah," which cost the lives of many of our comrades who had aspired to lead a new life in our own country.

The Rafiah Public Committee appeals to all survivors and their families to participate in a service in memory of the victims which will take place at the site of their memorial at the Kfar Samir cemetery in Haifa.

On the same occasion, we will hold a reunion of survivors to mark the 40th anniversary of their ally. Invitations and further information can be obtained by writing to us at P.O.B. 6452, Haifa, or phoning 04-380963.

BENYAMIN KOPPER
(One of the survivors)

Haifa.

RUMOURS AND DENIALS

To the Editor of The Jerusalem Post
Sir - To those of your readers who may be confused by the recent wave of rumours and denials, I offer the following old rule: Don't believe a rumour until it is officially denied! Try it! It is amazingly reliable.

ZEEV RAPHAEL

Haifa.

'THE DUNERA BOYS'

To the Editor of The Jerusalem Post
Sir - We are now seeing a drama series on our TV screen which centres on the one and only transport of bona fide refugees from Britain sent to internment camps in Australia. Only relatively few of the 2,000 internees came to Israel. They spent 20 months in the camps, as I did, and will certainly remember that conditions there did not resemble a cabaret atmosphere (TV and Radio - December 5).

Australian friends who visited here last summer told me that the screening there angered many former camp inmates who stayed on down under as the entertainment character of the show makes a farce of what really took place.

ALFRED WACHS

Haifa.

WASHINGTON UNIVERSITY ALUMNI

To the Editor of The Jerusalem Post
Sir - We wish to contact the former students and graduates of Washington University in St. Louis, Missouri, to invite them - and their spouses and guests - to the first ever reunion to be held in Israel, to be held at tomorrow evening, December 16, at 7 p.m. at the Hilton hotel in Jerusalem. The cost per person, including coffee or tea and cake, is NIS 7.50.

We look forward to meeting as many alumni as possible to determine if a chapter should be established here.

BRUNA FRANKLIN

Haifa.

GOOD MANNERS ON TV

To the Editor of The Jerusalem Post
Sir - As a government-supported institution, Israel television should have as one of its main aims besides bringing us the wonderful news and brilliant entertainment, the spreading of good manners and decent public behaviour.

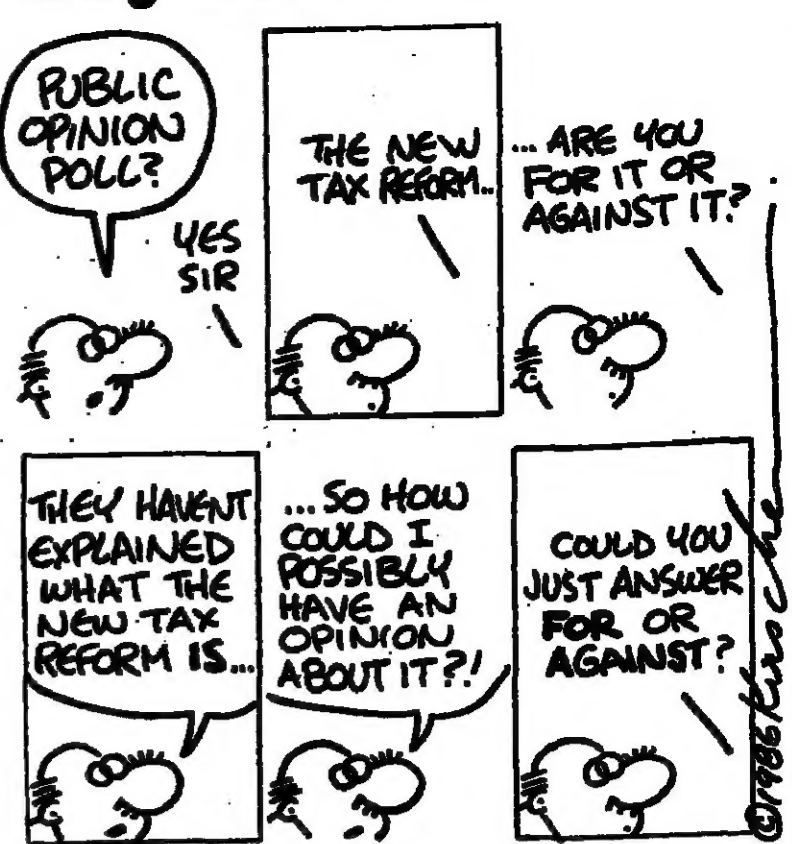
That this is not so was demonstrated once more on Sunday evening, the broadcasting suddenly stopped (exactly at the moment they were showing the reasons for power failures) and resumed only after about 20 minutes, without a word of explanation, regret or excuse to the public.

Good manners indeed!

PAUL FROELICH

Haifa.

Dry Bones



Strange bedfellows

Pinhas Inbari

PRIME MINISTER Shamir's interview with The Jerusalem Post on October 24 may have given King Hussein of Jordan second thoughts about his policy on the Palestinian problem in general, and on the West Bank in particular. The interview showed the Hashemite king that he cannot find in the Likud leader a reliable ally.

Jordanian policy on the West Bank had been based on the assumption that the hard-line new prime minister of Israel would welcome Jordanian efforts to combat the PLO's influence there and try to freeze the peace process.

How to stall the peace process and at the same time appear interested in advancing it? The Jordanians found the answer in their own particular formula for an international conference - a full conference in which the big powers would wield binding authority, rather than the preparatory one agreed on by former prime minister Shimon Peres and Egyptian President Hosni Mubarak.

This enabled Jordan to march forward without moving. What compelled Jordan to avoid motion in this way? The risk of being caught between Syria and the Likud following the handing over of power from Peres to Shamir.

Shamir's Jerusalem Post interview surprised the Hashemite court. Though the Israeli prime minister did not completely accept the preparatory conference formula, he came close to doing so. Shamir distinguished between two kinds of international conference - a "forum" whose participants would make binding decisions, and an international "gathering" that would bless agreements achieved in direct talks. Shamir was now ready to consider a conference of the latter type.

What does this mean to the Jordanians? Contrary to their previous assumptions, Shamir is already halfway towards accepting the Peres-Mubarak view. Jordan must therefore reconsider its own policy.

Jordan must take into account the fact that Shamir and Peres are close to an understanding on the peace process. All that stands between them now is the question of whether the international conference should be convened simultaneously with the direct talks, or after. There is no dispute on principle.

But what may seem stranger to Jordan than agreement on principle between Peres and Shamir is the likelihood of such agreement be-

tween Shamir and Yasser Arafat. When the Jordanians chose the "full" and "binding" international conference as their preference they assumed that the PLO would choose the preparatory "gathering." They attributed no importance to this possibility, presuming it would be nullified by a Shamir veto.

IN AN interview with the PLO organ Filastin al-Thawra, on October 4, 1986, Faruk Kaddumi, head of the PLO's political department, spoke about an international conference. His observations closely resembled those of Shamir! Kaddumi distinguished between the Soviet-French conference proposal and the Mubarak-Peres version. He refrained from specifying which type the PLO would support, but a separate article in the same edition implied that the PLO subscribed to proposals that appeared to suit Shamir. Evidently responding to the Mubarak-Peres declaration, the PLO announced its readiness to attend a "preparatory committee meeting," i.e., a forum less binding than a full-dress conference. We must remember that the "preparatory committee" is the term that was used in the process leading up to the Camp David accords. It was the title of the direct talks held in Mena house in Cairo almost a decade ago. The PLO's willingness to meet Israel in the open, in Romania last month, for example - demonstrated to the Jordanians that Israelis and Palestinians might even negotiate directly under Egyptian auspices in the framework of preparatory committee or conference. The Jordanians could be left out in the cold if they continue to reject such a forum. The Jordanians do not forget that Ariel Sharon once sought to approach PLO chairman Yasser Arafat directly to offer him a Palestinian state in... Jordan.

In truth, the Egyptians did not try to ally Jordanian fears. Furthermore, a new kind of Egyptian activity is palpable in the West Bank. Egyptian diplomats participated for the first time in an Israeli-Palestinian gathering recently when they joined a protest in East Jerusalem against the military order to expel A-Sha'ab editor Akram Haniye.

The new situation does not leave Jordan much choice. After King Hussein completes his forthcoming trip to Europe and Washington to solicit support against Syria, he will very probably re-examine the idea of a preparatory conference.

The writer is a journalist specializing in Middle East affairs.

NEW STAMPS

Day of Issue: Thursday, 18.12.86



Unlike other commemorative stamps, which are usually printed in sheets of 15 identical stamps, these two stamps appear together on a sheet consisting of 12 stamps. There are three rows of stamps on each sheet, with tabs on the bottom row only. The four stamps on each row are made up of 2 pictures of Huberman and 2 of Toscanini, the centre row being in a different order than the top and bottom rows.

The philatelic material will be obtainable on the day of issue at sales counters of the Philatelic Services and at post offices authorized to sell such material. Stamps with tabs and complete sheets will be on sale as long as stocks permit at Philatelic Services sales counters and at the Postal Agency, 37 Sderot Hanasi, Haifa, until 18.1.87.

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